de volksbank

Integrated Annual Report 2022

de volksbank SNS asn bank RegioBank BLGwonen

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About this report

INTEGRATED ANNUAL REPORT

Our **Integrated Annual Report 2022** (IAR) provides information on the bank's financial and non-financial performance in compliance with statutory requirements. It sets out how we dealt with opportunities and risks in 2022 and how we created value for our customers, society, our employees and our shareholder. Anticipating upcoming regulations, we have opted for an integrated approach for our IAR 2022, in which we have merged our statutory annual report with our Integrated Annual Review which was previously separate.

This IAR 2022 consists of:

- The Report of the Executive Board, including:
  - Introduction
  - Operating environment, strategy and performance
  - Sustainability statements
  - Governance (excluding the Report of the Supervisory Board)
  - Risk management
- The Report of the Supervisory Board (included in chapter Governance)
- Financial statements
- Other information and Additional information

In addition, to the IAR, we publish the following reports for 2022, which should be seen as stand-alone reports:

- **Annual Review 2022** which includes a summary of our most important financial and social results for the past year. The Annual Review is intended for a wide audience and is also available in Dutch (*Jaaroverzicht 2022*).
- **Pillar 3 Report 2022** containing the mandatory reporting on capital requirements and risk management ensuing from the European Capital Requirements Regulation (CRR).

Our IAR 2022 is our primary statutory and regulatory reporting disclosure.
The financial information in the financial statements has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU IFRS).
Moreover, the financial information meets the requirements as set out in Title 9, Book 2 of the Dutch Civil Code.

Capital metrics and risk positions for 2022 and comparative figures for 2021 are reported under the Basel III framework (CRD IV/CRR). Information on Pillar 3 (part of the CRR) can be found in a separate report on our website.

The non-financial information in the Report of the Executive Board has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, the Non-Financial Reporting Directive (NFRD) and with consideration of the Task Force on Climate-Related Financial Disclosures (TCFD). We are also committed to the UN Principles for Responsible Banking (PRB). More information on this can be found in Section Our approach to reporting.

This IAR 2022 is available in English only. Our financial reporting currency is the euro (€). Throughout this report, the material topics are identifiable by MT icons and our key performance indicators by KPI icons.

Adjusted measures

We supplement our IFRS figures with non-IFRS measures used by management internally that constitute alternative performance measures under European Securities and Markets Authority (ESMA) guidance and non-GAAP financial measures. Further explanation may be found in Section 1.4.3 Reconciliation of alternative performance measures.

European Single Electronic Reporting Format (ESEF)

The PDF/printed version of the Integrated Annual Report 2022 of de Volksbank has been prepared for ease of use. The PDF/printed version is not the official Integrated Annual Report 2022, including the audited financial statements thereto pursuant to article 361 of Book 2 of the Dutch Civil Code.
The official Integrated Annual Report 2022 was made publicly available pursuant to section 5:25c of the Dutch Financial Supervision Act (Wet op het financieel toezicht), and was filed with the Netherlands Authority for the Financial Markets in European Single Electronic Reporting Format (the ESEF package). The ESEF package is available on our website. In case of discrepancies between this PDF version and the ESEF package, the latter prevails.

2022
in a nutshell

Here, we present which moments, decisions and events characterised the year 2022 for us as a bank and for our stakeholders.

1

JANUARY

- BLG Wonen launches High-Rent Pilot Project in collaboration with NHG, VEH, ING, Florius and Aegon
- SNS launches new brand campaign and repositioning: 'People first. Then money'

2

FEBRUARY

- SNS introduces growth coaching and launches 'Future Money Talks' content platform
- ASN Mortgage interest rate discount becomes available for sustainable homes
- a.s.r. sustainable non-life insurance becomes available at ASN Bank

6

- High-Rent Pilot Project wins Golden Lotus Award for 'Most Innovative Mortgage Product of 2022'
- RegioBank organises National Village Summit for the second time
- Sustainable house of the future: second place for team TU Eindhoven/de Volksbank

JUNE

7

- SNS and RegioBank announce basic banking package from 1 July, ASN Bank follows on 1 October
- ASN Bank launches European Citizens' Initiative 'Good Clothes, Fair Pay' in collaboration with civil society organisations
- De Volksbank passes portfolio mark of € 1 billion in SME loans

JULY

8

- De Volksbank with Ruler nominated for Computable Award
- SNS launches *Kansvergroters* campaign
- André Haag appointed CFO

AUGUST

9

- RegioBank initiates largest brand campaign in its history
- BLG Wonen and RegioBank launch Appraisal Service and Desktop Appraisal

SEPTEMBER

MARCH

- First SNS Youth Council
- SNS launches renewed Asset Growth proposition
- ASN Bank named most sustainable bank for the fourth time
- Eurowijs reaches 1 million pupils

APRIL

- Current account for Ukrainian refugees becomes available at SNS and RegioBank
- De Volksbank issues € 500 million in green SNP notes
- De Volksbank team wins Partnership Award with a new idea for first-time buyers

MAY

- Apple Pay rolled out to customers
- RegioBank, ASN Bank and SNS ranked 1, 2 and 3 in the Bank sector in annual survey 'Most Customer-Friendly Business in the Netherlands'
- Marjolein de Jongh appointed CTO and Michel Ruijterman appointed CIO

3 4 5

10 11 12

OCTOBER

- De Volksbank stops charging negative interest on 1 October
- RegioBank wins *Zilveren Spreekbuis 2022* and is once again named the best bank in the Netherlands by the Dutch Consumers' Association
- SNS adds NN Security Package to corporate insurance range
- ASN Bank launches *VanafHier* platform
- Jacqueline Touw appointed CPOO

NOVEMBER

- SNS organises first Growth Opportunities Debate in Utrecht
- RegioBank presents 'Most Socially Engaged Business Owner of the Year Award'
- BLG Wonen organises '2022 Housing Debate'
- BLG Wonen announces launch of Buy-to-Let Mortgage with social character

DECEMBER

- ASN Bank presents 'Make Nature Count' report at Montreal biodiversity summit
- New collective labour agreement for the period 2023-2024
- RegioBank again closes the year with a 'Community Wishes' campaign
- De Volksbank publishes Climate Action Plan

Company profile

De Volksbank aims to meet the specific financial needs of its customers in a people-oriented, efficient and sustainable manner. Our mission is 'banking with a human touch'. We achieve it by creating value for all our stakeholders: our customers, society, our employees and our shareholder. We aim for optimum total value rather than maximisation of a single value. Together with our brands we strive for a strong customer relationship and increasing our social impact.

SNS

SNS helps people achieve their goals and dreams by focusing on the growth of each individual. SNS believes that if everyone is allowed to grow in their own way, it will make the Netherlands stronger.

asn bank

ASN Bank seeks to make sustainability accessible to all Dutch people, enabling them to use their money to do the right thing for people, animals and nature all over the country.

RegioBank

RegioBank is committed to maintain the quality of life in Dutch communities by taking on the role of community builder and contributing to social and economic vitality.

BLGwonen

BLG Wonen enables a society in which people can live contentedly in a manner that suits their wishes and financial situation. Now and in the future.

MORTGAGES

€ 48.3bn
market share 5.9%

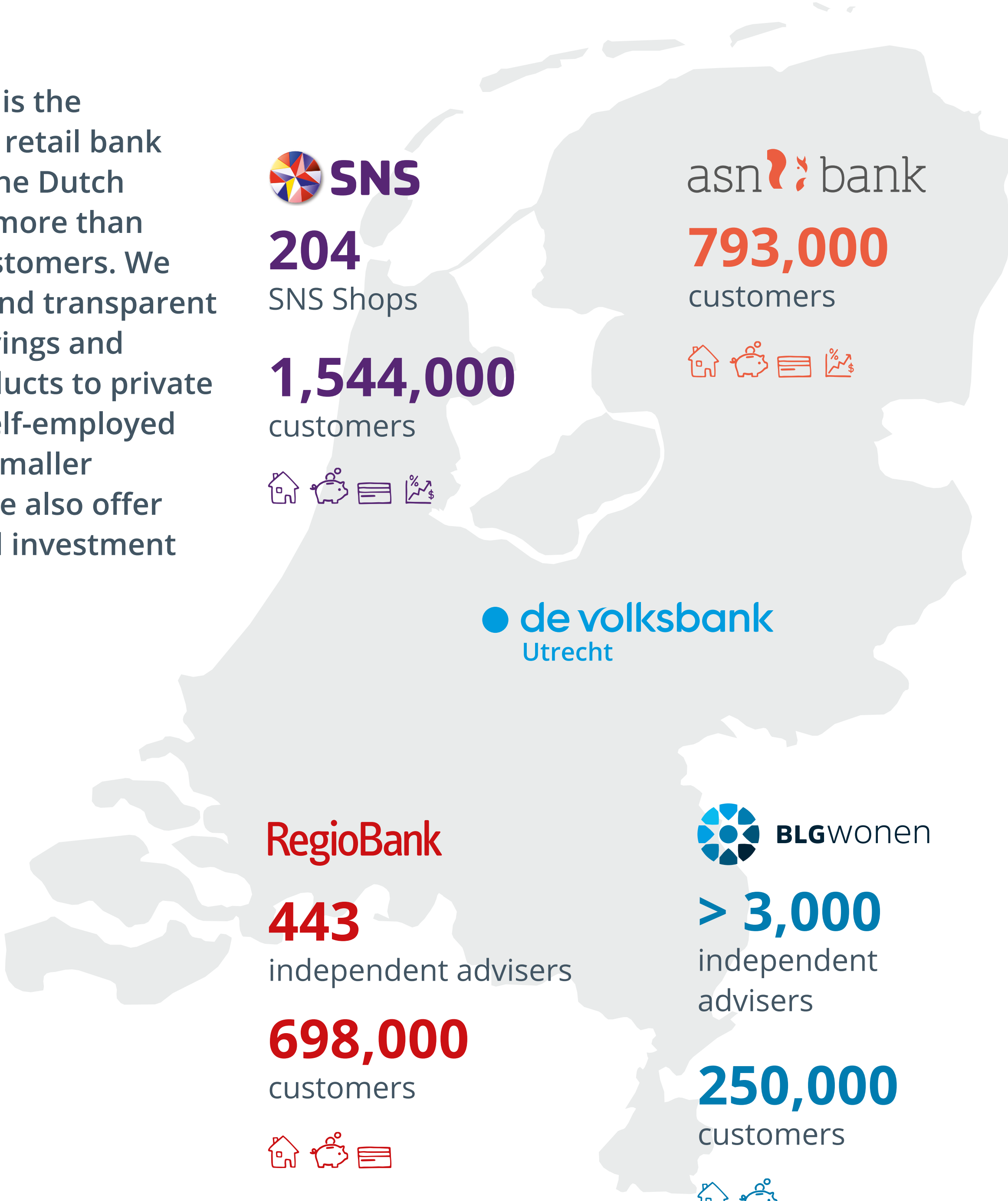
CURRENT ACCOUNT CUSTOMERS

1.91m
market share of new current accounts 23%

SAVINGS

€ 44.5bn
market share 10.4%

De Volksbank is the fourth largest retail bank operating in the Dutch market, with more than 3.2 million customers. We offer simple and transparent mortgage, savings and payment products to private individuals, self-employed persons and smaller companies. We also offer insurance and investment products.



SNS

204
SNS Shops

1,544,000
customers

asn bank

793,000
customers

de volksbank
Utrecht

RegioBank

443
independent advisers

698,000
customers

BLGwonen

> 3,000
independent advisers

250,000
customers

EMPLOYEES

3,887
FTE of which
3,123 internal

CUSTOMERS

> 3.28mln

ASSETS UNDER MANAGEMENT

€ 3.91bn

SME LOANS

€ 1.09bn

Foreword from the CEO

Martijn Gribnau, Chair of the Executive Committee of de Volksbank

"In 2022, we faced major changes in the world around us. The year started on a positive note with the lifting of the Covid-related European lockdown measures. However, at the end of February, Russia invaded Ukraine. First and foremost, our thoughts go out to the people of Ukraine, who are fighting for their independence, and to all those who are affected by the war.

The Russia-Ukraine war sent energy prices sky high, fuelling inflation and inflation expectations. In response, the European Central Bank began to increase its deposit rates. In the second half of 2022, the ECB deposit facility rate, which had been fixed at -0.5% since 2019, was increased to 2.0% in four successive steps. Market interest rates also showed a sharp increase: in the Netherlands, mortgage rates tripled compared to year-end 2021. At the same time, the rising house price trend came to an end, while economic growth slowed down. All these factors negatively affected the financial position and purchasing power of consumers.

In 2022, we focussed on the implementation of our strategy for the period 2021-2025, entitled 'Better for each other – from promise to impact'. For the bank as a whole, we have set ourselves two major strategic goals. Our first goal for 2025 is to be the bank with the strongest customer relationship in the Netherlands, and our second goal is to have a substantial and measurable positive impact on society.

Our brands continued to resonate positively with customers and the number of active multi-customers increased by 7% to 1.1 million, on track for our ambition of 1.3 million by 2025. In May 2022, in a survey conducted by market research company MarketResponse, RegioBank was again awarded the title of 'most customer-friendly bank' in the Netherlands, with SNS and ASN Bank in second and third place. Still, the average Net Promoter Score of our brands declined to -1, from 6 at year-end 2021, impacted by the introduction of a fixed fee for the basic banking package.

Throughout the year, we continued to strengthen the relationship with our customers by actively engaging with them through our digital bank channels and, in the case of SNS and RegioBank, through our network of shops and branches. Examples of customer engagement in 2022 include the fourth edition of the SNS Youth Board in Utrecht, to discuss the importance of equal access to financial knowledge and information. BLG Wonen held its annual Housing Debate in Rotterdam, focussed on corporates and ideas to make the housing market more accessible and sustainable. In June, RegioBank organised its second national 'Village Summit' in Goirle for everyone involved in regional developments and initiatives. In December, ASN Bank hosted a meeting in Leiden for 250 investors to discuss sustainable investment opportunities.

Our primary aim is and remains to assist customers in fulfilling their financing needs and to contribute to their financial resilience, with each brand focussing specifically on different customer needs. In April, we rolled out Apple Pay for SNS, ASN Bank and RegioBank customers. In cooperation with the Dutch National Mortgage Guarantee, BLG Wonen prolonged a pilot aimed at making mortgages accessible to high-rent tenants (*Duurhuur*). By the end of 2022 we had provided nearly 500 of these mortgages.

As a frontrunner in creating social impact, we further improved our ecological footprint. Our climate-neutral balance sheet increased by 7 percentage points to 62%, well on track to reach our objective of being 75% climate neutral by 2025. At the end of the year we published our first Climate Action Plan, outlining our goal to achieve a net zero balance sheet by 2050, or sooner if possible.

To achieve our strategic goals, we are executing a number of change movements and making investments, ensuring more robust and efficient business operations. An important element was the transition to a new way of working based on agile principles in March.

Despite the internal organisational changes, the KPI score for 'genuine attention for employees' remained high at 7.6, a limited decline compared to the score of 7.8 in 2021, but still above our objective of at least 7.5. I am pleased that we reached a new collective labour agreement at the end of 2022. In addition to

an agreement on wages for the next two years, we are committing ourselves to improvements with respect to diversity and inclusion.

The Executive Committee was established on 16 May 2022. On 1 April, we announced the appointment of Marjolein de Jongh as Chief Transformation Officer and of Michel Ruijterman as Chief Information Officer, followed by the appointment of André Haag as Chief Financial Officer with effect from 1 August. Finally, with effect from 15 October, Jacqueline Touw was appointed as Chief People & Organisation Officer. With this appointment, all vacancies on the Executive Committee were filled.

Taking into account the changing economic and interest rate environment, we continued to make commercial and financial progress in 2022.

Our residential mortgage portfolio grew by € 1.1 billion to € 48.3 billion and SME loans by € 255 million to € 1.1 billion. Retail savings decreased by € 1.1 billion to € 44.5 billion, impacted by an outflow of mono savings customers following the introduction of a fixed fee for the basic banking package. And, as a result of falling stock markets, assets under management decreased by € 0.8 billion to € 3.9 billion.

Net profit rose by € 29 million to € 191 million, as higher total income and lower operating expenses were partly offset by a swing in impairments. Return on Equity improved to 5.2%, compared to 4.7% in 2021, well on track to achieve our objective of 8% for 2025.

Total income increased by 17% to € 965 million, benefitting from higher ECB interest rates. Net interest income rose 10% to € 851 million. Net fee and commission income was up 31% to € 51 million, mainly driven by higher mortgage advisory fees and fees for the basic banking package. Other income was exceptionally high at € 63 million, € 50 million higher than in 2021. This increase was mainly driven by a € 46 million gain on swaptions, used to hedge our bank's long-term interest income against sharply rising market interest rates.

Total operating expenses decreased by 2% to € 655 million, corresponding with a cost/income ratio of 67.9% (2021: 80.7%). This decline was mainly driven by lower regulatory levies. In both 2021 and 2022, operating expenses included a positive incidental item. In 2021 there had been a € 22 million revaluation of a previous contribution related to the insolvency of DSB. In 2022 we released part of the ‘agile’ restructuring provision formed in 2020. This release, in the amount of € 23 million, was driven by changing assumptions, such as fewer redundancies as a result of re-employing more staff for regulatory and compliance-related topics.

Total impairment charges rose to € 52 million, a swing of € 110 million compared to the € 58 million reversal in 2021. The higher impairments were mainly driven by deteriorated macroeconomic parameters used in our loan loss provisioning models. The actual incurred losses of residential mortgages and SME loans remained at a very low level, evidencing the high underlying credit quality.

Our CET1 capital ratio showed a decrease to 20.3%, from 22.7% at year-end 2021. This decline was mainly attributable to an increase in risk-weighted assets, driven by increased exposures to financial institutions and corporates to optimise the return on excess liquidity.

In order to strengthen and diversify our capital position, we issued € 500 million of senior non-preferred (SNP) notes in April 2022, followed by the issuance of € 300 million of green Additional Tier 1 notes in June. Despite this last issuance, the leverage ratio decreased from 5.1% to 4.7% as the temporary relief measure from the ECB lapsed with effect from April 2022. Nonetheless, our capital position remained strong and in October S&P upgraded our credit rating by one notch to A.

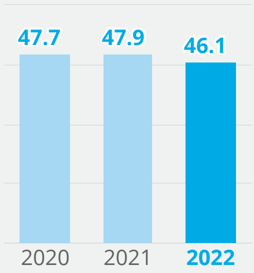
Because of the changed interest rate environment, the prospect of a positive development of total income has improved. Yet, wage growth and the need to invest in projects to further improve IT systems and meet additional regulatory requirements will also cause an increase in operating expenses. A further downturn in the Dutch housing market may require additional provisioning. All in all, we expect a higher net profit for 2023.

On 22 February 2023, the Dutch Minister of Finance wrote to the House of Representatives that, in order to avoid unnecessary delay and provide timely clarity to de Volksbank, she intends to take a directional decision about the future of our bank before the end of 2023. Our shareholder NLFI and de Volksbank will be actively involved in the process towards this decision. We think that this is a good moment to further explore the future options for our bank and appreciate that, together with NLFI, we can actively participate in this process. A final choice on our future can only be made when NLFI has determined that the bank is ready for it.

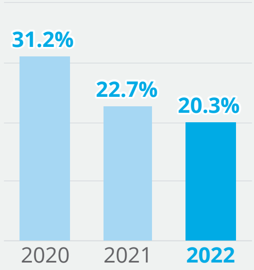
In the first two years of the strategic period 2021-2025 we focussed on increasing our multi-customer base, increasing fee income and changing our organisation towards a more agile way of working, as well as on installing a new leadership team. Making our operations more robust is a necessary condition for creating the impact we want to make, both at customer and social level. In the years to come, the challenge is to increasingly move from ‘promise’ to ‘impact’, while making additional investments in IT systems, data quality and programmes to improve our KYC operations. We attach great importance to our gatekeeper function by having adequate customer integrity policies and controls in place and by meeting all regulatory requirements. I am confident that we will succeed in executing our strategy and would like to thank our customers for their trust in our bank and our employees for their hard work aimed at providing excellent services to all our stakeholders.''

Key figures

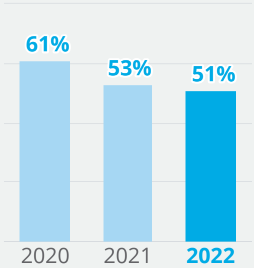
Residential mortgages
(in € billions)



CET1 capital ratio



Loan-to-Value of residential mortgages



Strategic objectives and other performance indicators

	2022	2021	2020	2019	2018
CUSTOMERS					
Customer weighted average NPS[1]	-1	6	2	0	-1
Active multi-customers (in 1,000)[1]	1,087	1,015	949	899	n.a.
Customer Relationship Score (KRS)[1]	53	56	n.a.	n.a.	n.a.
SOCIETY					
Climate-neutral balance sheet[1]	62%	55%	45%	44%	37%
EMPLOYEES					
Genuine attention[1]	7.6	7.8	7.9	7.7	n.a.
SHAREHOLDER					
Return on Equity[2]	5.2%	4.7%	5.1%	7.7%	7.6%
OTHER OBJECTIVES					
Cost/income ratio[2]	67.9%	80.7%	70.6%	61.8%	63.6%
CET 1 capital ratio	20.3%	22.7%	31.2%	32.6%	35.5%
Leverage ratio	4.7%	5.1%	5.2%	5.1%	5.5%
OTHER PERFORMANCE INDICATORS					
Total capital ratio	25.5%	26.3%	36.1%	37.8%	37.1%
Loan-to-deposit ratio[2]	90%	86%	92%	102%	106%
Net interest margin (bps)[2]	1.15%	1.11%	1.30%	1.37%	1.47%
Cost of risk total loans[2]	0.08%	-0.12%	0.08%	-0.01%	-0.03%

Balance sheet

in € millions	2022	2021	2020	2019	2018
Balance sheet total	73,155	72,081	67,484	62,841	60,948
Loans and advances to customers	48,966	50,570	50,542	50,461	50,536
- of which residential mortgages	*46,134*	*47,945*	*47,697*	*48,090*	*47,262*
Amounts due to customers	57,150	58,128	53,652	49,045	48,217
- of which savings	*44,501*	*45,681*	*42,111*	*38,404*	*37,376*
Debt certificates	7,544	7,402	6,119	6,906	5,822
Total equity	3,708	3,486	3,450	3,435	3,571

Credit quality of residential mortgages

	2022	2021	2020	2019	2018
Weighted average indexed Loan-to-Value	51%	53%	61%	67%	70%
Stage 3 ratio	0.9%	1.1%	1.2%	1.1%	1.2%
Loans in arrears (%)	0.7%	0.7%	1.2%	1.0%	1.1%

Market shares

	2022	2021	2020	2019	2018
New current accounts	23%	20%	17%	20%	23%
Retail savings	10.4%	11.3%	10.8%	10.6%	10.6%
Mortgage portfolio (in €)	5.9%	6.0%	6.2%	6.4%	6.5%
New mortgages (in #)	5.4%	5.8%	5.0%	6.1%	7.2%

1 For the measurement methodology, see Section Definition and methodology of strategic KPIs.

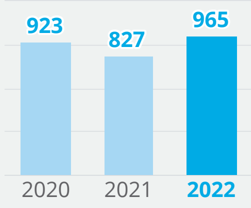
2 For the measurement methodology of these KPIs reference is made to the Section Reconciliation of alternative performance measures.

Profit and loss account

in € millions	2022	2021	2020	2019	2018
Net interest income	851	775	850	875	908
Net fee and commission income	51	39	46	51	44
Other income	63	13	27	3	6
Total income	**965**	**827**	**923**	**929**	**958**
Operating expenses excl. regulatory levies	586	588	602	533	562
Regulatory levies	69	79	50	41	47
Total operating expenses	**655**	**667**	**652**	**574**	**609**
Impairment of charges financial assets	52	(58)	38	(7)	(12)
Total expenses	**707**	**609**	**690**	**567**	**597**
Result before taxation	**258**	**218**	**233**	**362**	**361**
Taxes	67	56	59	87	93
Net result for the period	**191**	**162**	**174**	**275**	**268**
- Incidental items[3]	17	17	(34)	-	-
Adjusted net result for the period	**174**	**145**	**208**	**275**	**268**

Total income

(in € millions)

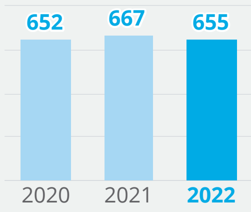


ESG ratings and benchmarks

	2022	2021	2020	2019	2018
Sustainalytics ESG Risk rating[4]	9.1/100	10.4/100	10.4/100	12.5/100	
ISS ESG	B (Prime)	B (Prime)	B (Prime)	B (Prime)	B- (Prime)
MSCI	AA	AA	AA	A	A
Carbon Disclosure Project (CDP)	B	B	C	-	-
Transparency Benchmark[5]	-	6th	-	122nd	-
Fair Bank Guide[6]	-	-	9.3	8.5	-

Total operating expenses

(in € millions)

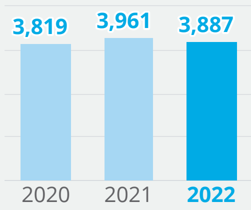


Key environmental data of own business operations

Category	Units	2022	2021	Change
Total energy consumption[7]	GJ	42,996	31,991	▲ 34%
% Green energy consumption	% of total	37%	51%	▼ 27%
Scope 1	tonnes	450	673	▼ 33%
Scope 2[8]	tonnes	628	219	▲ 186%
Scope 3[9]	tonnes	895	571	▲ 57%

Number of employees

(FTEs)



Long term credit ratings

	2022	2021	2020	2019	2018
S&P	A	A-	A-	A-	A-
Moody's	A2	A2	A3	A3	A3
Fitch	A-	A-	A-	A-	A-

3 For the measurement methodology of these KPIs reference is made to the Section Reconciliation of alternative performance measures.

4 The score is assigned to one of five risk categories. Negligible Risk (0-9.99), Low Risk (10-19.99), Medium Risk (20-29.99), High Risk (30-39.99) and Severe Risk (40 and higher points).

5 This survey is conducted among the largest companies (around 500) in the Netherlands and is carried out bi-annually. Score is based on the Integrated Annual Review 2020.

6 Average of the scores per policy.

7 Including green gas, natural gas (grey), district heating, generators, green energy and grey energy. For the extended table, see Section 2.5.3

8 Location-based emissions.

9 This refers to upstream scope 3 emissions and therefore does not include our downstream CO_2 emissions associated with our investment and financing activities.

1.

OPERATING ENVIRONMENT, STRATEGY AND PERFORMANCE

1.1 Our operating environment

1.1.1 Economic developments

Dutch economy

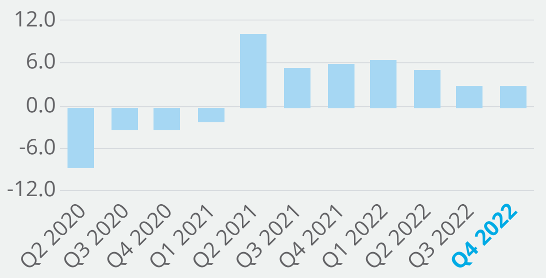
The lifting of the various Covid-19 containment measures led to a revival of economic activities in the first half of 2022. Later, the situation reversed as the tailwind from the reopening of the economy faded, but above all because Russia's invasion of Ukraine caused a surge in energy and food prices. Natural gas on the Dutch TTF trading point reached a peak of € 343 per MWh in August and averaged € 132 per MWh over the full year, up from € 47 per MWh in 2021, a development that gradually filtered through to gas prices for households and strongly affected consumer sentiment. The latter caused consumer spending to fall in the summer and it remained subdued for the remainder of the year. The corporate sector was confronted with higher input costs, undermining profitability and suppressing business sentiment. A slowdown in world trade growth also had a detrimental effect, in particular for the manufacturing industry. Inflation peaked at 14.5% in September, with an annual average percentage of 10.0%, up from 2.7% in 2021. Nevertheless, the performance of the Dutch economy still compared favourably to that of most other European countries.

Unemployment continued to decrease initially, falling to a record low of 3.2% of the labour force in April. The subsequent rise did not persist in the last part of the year and, overall, the labour market remained very tight. The annual average unemployment rate declined by 0.7 percentage points to 3.5%.

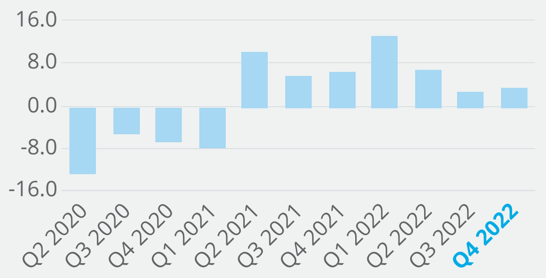
Interest rates and government bond yields

As inflation turned out to be more persistent than initially expected, the European Central Bank (ECB) began to prepare the market for a policy of monetary tightening as from March 2022. The tightening cycle was put into effect by discontinuing the Asset Purchase Programme as from 1 July, as well as by four rate hikes in July, September, October and December, bringing the deposit rate to 2.0%, up from -0.5% at year-end 2021. These hikes, coupled with increasingly 'hawkish' rhetoric on further policy moves, pushed bond yields higher. The shorter end of the yield curve (0-2 years) steepened with 2-year bond yields rising 337 basis points (bps) over the year to 2.68%. The Dutch 10-year rate climbed 294 bps to 2.91% at year-end 2022, with brief downward movements in the summer and autumn as recession fears flared up.

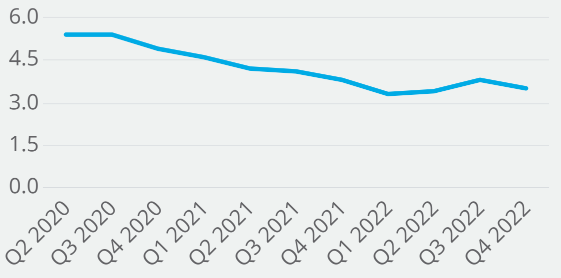
Gross domestic product Source: CBS
(YoY change in %)



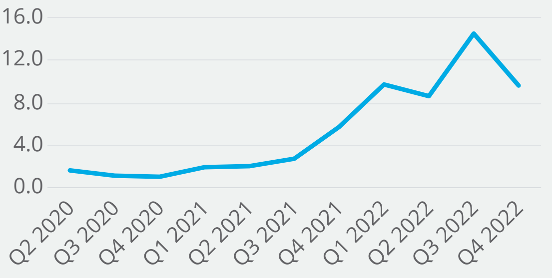
Household consumption Source: CBS
(YoY change in %)



Unemployment Source: CBS
(Seasonally adjusted in %)



Inflation Source: CBS
(YoY change in %)



Housing and mortgage market

The housing market boom came to an end due to the sharp rise in mortgage rates and the higher cost of living. At the end of 2021, a 10-year fixed-rate mortgage was available at a rate of 1.1%, but at the end of the reporting period this rate had risen to 4.1%. The change in supply/demand conditions came to the fore in the observation that people were increasingly selling their home before buying a new one, rather than the other way around. House prices still increased by 13.6% on average, with prices rising at a much slower pace year-on-year in the second half of the year and falling on a month-on-month basis since August. The number of transactions declined by 14.6% after a 4.0% decrease in 2021. According to HDN data[1], mortgage applications went down by 7.3% in 2022, for the largest part attributable to the sharp decline in mortgage renewals. Mortgages for the purpose of buying a new home decreased by 3.2%.

Savings market

Despite the strong price rises, affecting individual household budgets, the Dutch retail savings market grew by € 24 billion in 2022 to € 431 billion. The reversal from negative to positive savings rates and the uncertain economic outlook may explain the ongoing rise in savings.

[1] HDN (Hypotheken Data Netwerk) collects and communicates about the application and acceptance process of financial products in the Netherlands.

1.1.2 Regulatory environment

As a result of an increasing number of laws and regulations, at national and European level, it remains both a challenge and a crucial aspect of de Volksbank's business operations to make sure we implement these regulations in a proper and timely manner.

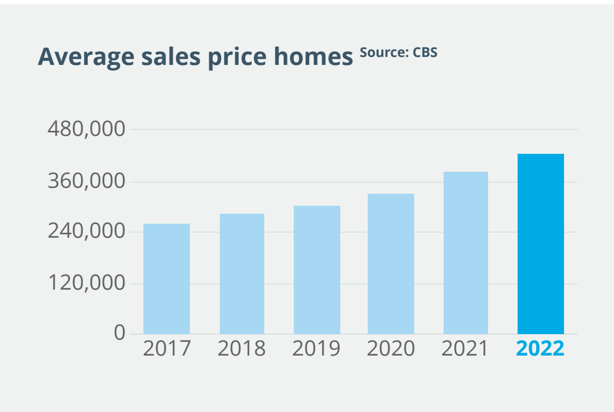
De Volksbank continues to work on its individual resilience and stability without losing sight of the interests of its customers and other stakeholders. In this section we outline the most noteworthy laws and regulations in relation to prudential supervision, customer interests and sustainability that entered into force in 2022 and how de Volksbank deals with implementing them.

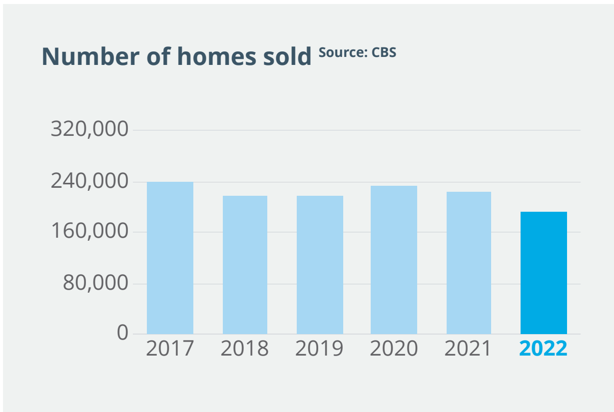
Prudential supervision

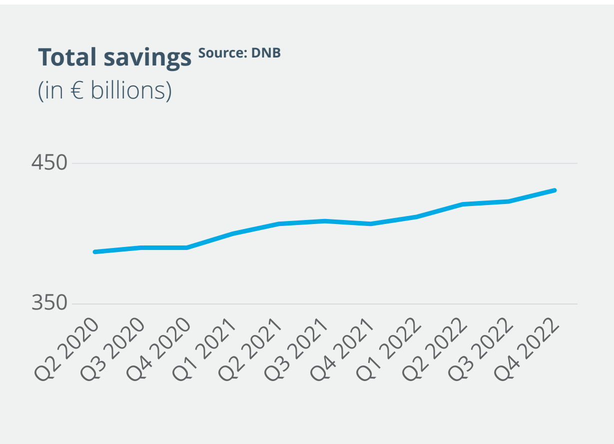
Below, we describe the key developments in prudential supervision in 2022.

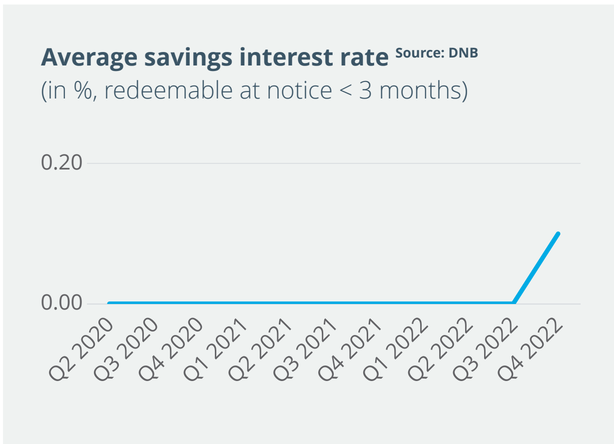
Implementation of Basel IV in the European Union

In order to reduce risk in the banking sector and strengthen the Banking Union, the European Union (EU) gradually revised its framework of harmonised banking supervision rules over the past few years. This prudential framework is represented by the Capital Requirements Directive (CRD), the Capital Requirements Regulation (CRR), the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR). Implementation of the 2019 Banking package, containing the previous round of reforms into this framework, was completed in 2021. As a final step, the European Commission (EC)









issued its draft proposals for the transposition of Basel IV, known as CRR III and CRD VI, into EU legislation in October 2021. The proposed implementation date is 1 January 2025 with a 5-year phase-in period of the output floor. The new prudential rules include the introduction of a capital floor based on standardised approaches, a revision of the standardised approach for credit risk and new rules for operational and market risk.

Capital and liquidity position

De Volksbank continuously looks from different perspectives to see if the financial stability and continuity of the bank is guaranteed. Supervisory authorities are provided with our data reports and analyses, such as ICAAP and ILAAP, external and internal stress tests, the recovery plan and information for the purposes of resolution planning by *De Nederlandsche Bank (DNB)*, the Central Bank of the Netherlands. For more information on the BRRD, ILAAP, ICAAP, SRMR/MREL and bail-in, see Section 4. Risk Management.

Risk weighting floor of mortgage portfolio

As announced by DNB in 2019, the increase in risk weights assigned to residential mortgage portfolios was implemented with effect from 1 January 2022. The measure would initially expire on 1 December 2022, but on 8 July 2022, DNB decided to extend the measure until 1 December 2024. The risk weight floor will apply to banks that use internal risk models to calculate capital requirements for their mortgage loan portfolios. This measure stems from the framework that Article 458 of the CRR provides to DNB for this purpose. The additional capital is intended to strengthen Dutch banks' capital to absorb possible shocks in the Dutch housing market. For the projected impact on de Volksbank, see Section 4.8.3 Developments in capital requirements.

EBA Guidelines on loan origination and monitoring

EBA published the Guidelines on loan origination and monitoring in May 2020. These Guidelines: i) specify internal governance arrangements for granting and monitoring credit facilities throughout their life cycle; ii) clarify the credit decision-making process and building on the requirements of the EBA Guidelines on internal governance, and iii) set requirements for assessing borrowers' creditworthiness, including the use of automated models, along with requirements for handling information and data for such assessments. These guidelines are to be gradually phased in as from 30 June 2021 to 2024. De Volksbank will integrate the guidelines into its internal policies and processes in line with this schedule.

Capital Markets Union

On 6 July 2021, the EC published a proposal for a Green Bond Regulation to create a 'European Green Bond Standard'. This Green Bond Regulation will lay the foundation for a framework of rules on the use of the 'European Green Bond' (EuGB) designation for bonds that pursue environmentally sustainable objectives under the Taxonomy Regulation. The broader aim of the Green Bond Regulation is to facilitate the further development of the European market for green bonds. The EC hopes that the development of this market will help meet the EU's climate and environmental objectives under the Paris Agreement on climate change. The Green Bond Regulation also aims to reduce the risk of 'greenwashing' by setting high standards for the issuance of green bonds, and forms part of the European Green Deal which sets an objective of making it easier for investors and companies to identify credible sustainable investments. The proposed framework entails four key requirements:

- the funds raised by the bond should be allocated fully to projects in alignment with the EU Taxonomy;
- detailed reporting should provide full transparency on how bond proceeds are allocated;
- all EU green bonds must be checked by an external reviewer to ensure compliance with the Green Bond Regulation and alignment of funded projects with the EU Taxonomy; and
- external reviewers providing services to issuers of EU green bonds should be registered with and supervised by the European Securities Markets Authority.

Even though the Green Bond Regulation will be a voluntary standard giving issuers the choice to opt for the EuGB designation or not, the EC has decided to take a legislative route. It is very likely that the designation will become the market standard for green bond issuances in the EU. Green bond issuers in the EU who are not compliant with the new rules may also run the risk of greenwashing; compliance being yet another reason to avoid supervisory scrutiny. The developments regarding the Green Bond Regulation and the EuGB designation are important to de Volksbank in view of its Green Bond Framework and the fact that it is a frequent issuer of green bonds. In 2022, de Volksbank issued € 500 million of Senior Non-Preferred Notes and € 300 million Additional Tier 1 (AT1) Notes under its Green Bond Framework.

Customer interests

Being a social bank, we take our customers' interests into account without losing sight of the other stakeholders, i.e. society, our employees and our shareholder. Below, we describe the most relevant regulatory developments related to customer interests in 2022.

General Data Protection Regulation

De Volksbank continues to enhance compliance with the General Data Protection Regulation (GDPR) to protect the privacy of our customers and employees. Privacy governance at de Volksbank underwent further development. A team of first-line privacy staff that supports the ongoing implementation of the GDPR, was trained by the Data Protection Officer and the Compliance department. De Volksbank also began to incorporate the Processing Register into a supported Privacy tooling, which will also facilitate the continued development of privacy management within the organisation.

Also, as a consequence of a decision by the Court of Justice of the EU (CJEU) regarding data transfers, all contracts with (sub)processors are scrutinised and reassessed for the risks resulting from data processing in countries outside the European Economic Area (EEA). In addition, we concluded new Standard Contractual Clauses (SCC) – where applicable – and carried out Transfer Impact Assessments. To further close the privacy gaps with respect to the data warehouse, full migration of the data warehouse to the new environment is necessary, de Volksbank continues its efforts to phase out older data warehouses to the new environment.

European Anti-Money Laundering Directives

De Volksbank takes all reasonable measures to prevent the bank and/or the financial system in general from money laundering and terrorist financing. Being a social bank, we consider the gatekeeper function to be an integral part of our business operations. The ongoing changes to the laws and regulations impact the processes and organisation of de Volksbank. We continue to collaborate on certain AML-related topics together with major banks and public parties, the Financial Intelligence Unit and the national police.

In 2022, de Volksbank continued to participate in Transaction Monitoring Netherlands (TMNL). In this initiative, launched by ABN AMRO, ING Bank, Rabobank, Triodos Bank and de Volksbank, said banks are joining forces to contribute to boosting the effectiveness of anti-money laundering and financing of terrorism by bringing together transaction data from different banks and making meaningful connections between them.

Payment services

As far as payments are concerned, we monitor general and legislative developments that will or may play a major role in the coming years. One such a development is the European Retail Payment Strategy, which is part of the EU's broader Open Finance Strategy in which European acceptance of instant payments is the key element. ECB's investigations into the possibility of issuing a digital euro is another topic that is of great interest to us. With respect to access to payment accounts, the European Payments Council is developing a new scheme, SEPA Payment Account Access (SPAA), in which user cases are reflected that are mainly related to payment transactions. This development towards a new scheme concerns payment services on top of the mandatory services arisen from PSD2. These services do not have to be provided free of charge. The EC has discussed a review of the PSD2 in 2022, and it has yet to be decided whether PSD2 will see an update, or will completely be replaced by PSD3. De Volksbank will closely monitor any new directives.

Sanctions

Since the invasion of Ukraine by Russia in February 2022, several major sanctions packages have been introduced by the EU and the United States, targeting Russia, Belarus and the occupied territories of Ukraine. As a result of these developments, DNB is increasingly focussed on financial institutions' compliance with sanctions regulations. De Volksbank complies with the sanctions imposed and has adjusted its internal policy and processes accordingly. Being a social bank, de Volksbank strives to continuously contribute to the effectiveness of (international) sanctions aimed at maintaining or restoring international peace and security, as well as at promoting the international legal order.

Digital Operational Resilience Act

As part of the Digital Finance Package, the EC has drafted regulation to increase the financial sector's digital resilience: the Digital Operational Resilience Act (DORA). A proposal for the DORA was published on 24 September 2020. On 11 May 2022, the EU Parliament and the EU Council reached an initial agreement on the proposal. This agreement was published on 23 June 2022. The final version of the DORA has been accepted by the EC and was published on 27 December 2022. The act will enter into force on 17 January 2025. De Volksbank is closely monitoring regulatory developments on the DORA and will assess the impact on the organisation through a gap and impact analysis.

Settlement systems

De Volksbank is complying with Euro system's initiative to replace Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) with a new real-time gross settlement (RTGS) system called T2 and optimising liquidity management across all TARGET Services. The new consolidated platform will be launched in March 2023, together with SWIFT's move to ISO20022 called Cross Border Payment Reporting+ (CBPR+).

Sustainability

The EC presented the European Green Deal in 2019, consisting of a roadmap to make the EU's economy sustainable and climate neutral with net-zero greenhouse gas emissions by 2050. The Sustainable Finance Action Plan (SFAP) is an essential part of achieving these policy goals and directly impacts de Volksbank in certain areas. These regulatory developments are often complex and released with short time frames. Therefore, we closely monitor these developments and other relevant initiatives, and assess how they may affect our business units. In response to this, we continued to embed sustainability throughout the organisation, to integrate sustainability into regular processes - such as risk management processes - and to make de Volksbank's contribution to sustainability tangible through our reporting.

De Volksbank is impacted by some material regulatory developments such as disclosing information as to what extent our funding activities are associated with environmentally sustainable economic (taxonomy-aligned) activities. The EU Taxonomy provides a classification system of economic activities that contribute to, and do not significantly harm, the environment and safeguard minimum social standards at the same time. For its Integrated Annual Report 2022, de Volksbank meets its obligation to report on EU Taxonomy eligible activities.

De Volksbank also reports on Environmental, Social and Governance (ESG) risks following the ECB's Guide on Climate and Environmental Related Risks and the Pillar 3 disclosure on ESG risks. The ECB's Guide describes how the ECB expects financial institutions to take these risks into account in their business strategy, governance, and risk management. The Pillar 3 disclosure shows how transition risk and physical risk resulting from climate change is affecting our balance sheet and how these risks can exacerbate other risks. It also gives qualitative information on our strategy, governance and risk management framework on ESG risks.

Furthermore, we are tracking regulatory developments such as the Corporate Sustainability Reporting Directive (CSRD), which entered into force on 5 January 2023 and the Corporate Sustainability Due Diligence Directive (CSDDD) proposals. The CSRD is the revision of the Non-Financial Reporting Directive (NFRD) and will intensify and broaden the scope of the rules laid down on the disclosure of companies' non-financial and diversity information. The aim of the CSDDD proposal is to foster sustainable and responsible corporate behaviour and to embed human rights and environmental considerations in companies' operations and corporate governance. The new directive will ensure that companies address adverse impacts of their actions, also in their value chains.

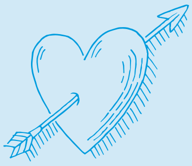
We are closely monitoring implementation of these regulatory developments, including the publicised set of the European Sustainability Reporting Standards by EFRAG. For more detailed information on our EU taxonomy reporting obligations, see Section 2.5.2 EU taxonomy. For more information on the EBA ESG Pillar 3, see our separate Pillar 3 report.

1.2 Our strategy

Strategy 2021-2025

Better for each other – from promise to !mpact

How we differentiate ourselves: two pillars



Strong customer relationship
Personal customer approach through seamless and pleasant interactions and suitable propositions

Social impact
De Volksbank and her brands achieve social impact on climate and decent living by integrating these themes in its services

Four growth priorities of the brands

SNS
Attracting a younger target audience and strengthening the business model with fee income

asn bank
Accelerate the growth of ASN Bank as a digital, sustainable bank

RegioBank
Reinforce RegioBank's local presence by broadening its propositions

BLGwonen
Expand BLG Wonen by increasing its distribution reach and improving its service

Five necessary movements of change

Digital and omni-channel dialogue

Relevant range of products, new propositions and small businesses as a new target market

IT-based customer bank

Customer focused

Efficient and flexible

Capabilities — Strengthening organisational, employee and leadership capabilities

Important preconditions — Comply with laws & regulations | Continuity

See section 1.2.2 for more details on our strategic objectives and targets.

1.2.1 Our business

Our history

De Volksbank is a bank at the heart of society. Our history dates back to 1817, the year in which a number of regional savings banks merged with the aim of taking good care of the money that the Dutch people entrusted to us. Today, we serve customers, entrepreneurs and small and medium-sized enterprises. We do so mainly in the areas of payments, savings and mortgages.

Our mission and ambition

We have a clear mission: banking with a human touch. We achieve it by creating value for all our stakeholders: our customers, society, our employees and our shareholder. We aim for optimum total value rather than maximisation of a single value and call this our shared value ambition. We monitor and measure against specific objectives and report on this shared value ambition for each stakeholder group. For more information, see Section 1.3 Our strategic progress in this report and Section 3 of our Annual Review 2022.

1.2.2 Strategy 2021-2025: Better for each other - from promise to !mpact

In 2022, we continued to build on our 2021 – 2025 strategy: Better for each other – from promise to !mpact. This strategy has two main pillars with which we aim to strengthen our distinctive capability: we want to be the bank with the strongest customer relationship in the Netherlands and to have a substantial and measurable positive impact on society. This distinctive capability is reflected in our four brands, each with its own growth priorities. To strengthen our distinctive capability and achieving the brands' growth priorities, our strategy has five necessary change movements.

Pillar 1: Strong customer relationship

De Volksbank wants to stand out from its peers as the bank with the strongest customer relationship. Each of our four brands has always had their own identity with a clear, social profile. Whether it is sustainability, decent housing, quality of life in communities or attention to the growth of each individual. Our customers recognise the values and standards that our brands share, allowing us to build strong relationships with them. And we should cherish that relationship: it is what sets us apart from other banks.

Pillar 2: Social impact

De Volksbank is committed to achieve a substantial and measurable positive impact on society. Each brand focuses on a specific social theme: ASN Bank on sustainability, BLG Wonen on decent housing, RegioBank on quality of live in the community and SNS - as from 2022 - on attention to the growth of every person. De Volksbank aims to create a positive social impact across the board and to reduce the negative impact. We do this by offering socially relevant propositions and by being a driving force, allowing us to contribute to changes at customer and system level.

Four growth priorities

For the 2021-2025 strategic period, we have set the following growth priorities for our brands:

1. Attract a younger target audience and strengthen SNS's business model with fee income;
2. Accelerate the growth of ASN Bank as a digital, sustainable bank;
3. Reinforce RegioBank's local presence by broadening its propositions;
4. Expand BLG Wonen by increasing its distribution reach and improving its service.

Five necessary movements of change

To enhance our distinctiveness and to realise our brands' growth priorities, our strategy features five change movements, i.e. significant changes to our processes and behaviour. In short, we will become more agile and work smarter together on a flexible IT infrastructure and offer our customers relevant products in the way they want. The following is a brief description of the five change movements:

1. Digital and omni-channel dialogue: we achieve a greatly enhanced customer experience through omni-channel dialogue and personalised access to products and services.
2. Relevant range of products, new propositions and small businesses as a new target market: we deliver more value for our customers and the bank by expanding our brands' current product range with existing and new propositions and addressing the target market for small businesses. Not just with our own products and services; we are increasingly linking reliable partners to our banking environment.
3. IT-based customer bank: we achieve a modular, customer-driven IT infrastructure with more automated IT processes.
4. Customer focused: our organisation becomes more agile and tailored to customers' needs through the transformation to an agile organisation.
5. Efficient and flexible: we increase our efficiency by entering into more partnerships and increasing the outsourcing of activities and services, as well as by making the best use of our capital and the assets on our balance sheet.

To this end, we are constantly working on strengthening the organisational, employee and leadership capabilities, while complying with laws and regulations and guaranteeing the continuity of systems.

Strategic objectives

The strategy for the coming years builds on our mission to achieve a positive impact through banking with a human touch: for our customers, society, our employees and our shareholder. Based on the strategic ambitions for 2021 – 2025 and the forecast for the economic developments and financial markets, we have set objectively measurable goals for each stakeholder group, which are closely monitored. The most material social topics (see Section 2.3 Material topics) are reflected in the way in which we realise our shared value ambition.

Other objectives

We have also set objectives for ourselves to optimise our capitalisation, balance sheet, and efficient business operations. These objectives pertain to the continuity of operations in particular, which is essential for all stakeholders. Translated into measurable targets and KPIs, this means that we aim for:

STRATEGIC OBJECTIVES

Stakeholder	Year-end 2025 targets	
Customers	• Raising customer-weighted Net Promoter Score (NPS) to +13 • 1.3 million active multi-customers • Customer Relationship Score of 60	MT1 MT2
Society	Climate-neutral balance sheet of at least 75%, rising to 100% in 2030	MT4 MT6 MT8
Employees	Genuine attention for employees gets a mark of at least 7.5	MT11 MT17
Shareholder	• A Return on Equity (RoE) of 8% • A dividend pay-out of 40-60% of the net profit	MT5 MT7

OTHER OBJECTIVES

	Targets
CET1 capital ratio	Consistently at least 19% based on full phase-in of Basel IV
Leverage ratio	Consistently at least 4.5%
Cost/income ratio	57 – 59% by year-end 2025

SWOT Matrix

As described in Section 1.1 Our operating environment, the world is changing in many ways. For us, these changes offer both opportunities and threats. In addition, we have a number of strengths and weaknesses that play an essential role in shaping our future. In 2022, we continued to make progress in differentiating ourselves through our strategy; we launched the new agile organisation, and expanded our product and service range, for example with the ASN Sustainable non-life insurance in cooperation with Dutch insurer a.s.r., and the SNS Valuation service. We also made progress on several KPIs as defined in our strategic plan. For more details on this topic, see Section 1.3 Our strategic progress. The threats and weaknesses are explained in more detail in Section 4.1.2 Top risks. The next page provides a brief overview of what goes well and what should be improved.

Positive factors

Negative factors

Internal

STRENGTHS

- **Strong brands with high Net Promoter Score and Customer Relationship Score:** de Volksbank brands generally have a higher NPS and stronger Customer Relationship Score than peer banks.
- **Impact on society:** this impact is manifested through the implementation of our progressive sustainability policy and the KPI for a climate-neutral balance sheet. Customers recognise and acknowledge this positive impact and this has resulted in high scores in the Fair Banking Guide. We are in the process of developing additional social impact KPIs.
- **Solid positions in the Dutch retail market:** with its core products payments, savings and mortgages, de Volksbank has a substantial market share in the Dutch retail market.
- **Cost-efficient distribution model:** the physical distribution costs per customer are lower compared with peer banks.
- **Mission-driven organisation with people-oriented leadership and a high score on trust in each other and leadership:** is apparent from our employee survey.

WEAKNESSES

- **Lagging behind on primary customers and lower product density:** compared with peers, our brands have relatively fewer primary customers and customers have fewer products on average.
- **IT infrastructure:** We are transforming our current IT landscape for better digital support and security. To ensure that our IT landscape becomes as future-proof as possible and remains a driving force for the bank, fundamental changes are required in the coming years.
- **Limitations in execution power and agility:** de Volksbank is an engaged and mission-driven organisation whose execution power and agility must be improved. In early 2022, we switched to a new organisational structure and started working with the agile way of working. In total this takes 2-3 years before full implementation.

External

OPPORTUNITIES

- **Social awareness:** consumers are increasingly making choices from a broader social perspective. We also see this happen in the financial sector; for example, sustainable investing is becoming increasingly popular. De Volksbank sees great opportunities in the contribution that banks can make towards solving complex social problems. We ourselves focus mainly on the themes of sustainability, decent housing, equal growth opportunities and quality of life in communities. This makes us stand out as a social bank.
- **Technology:** new technology offers opportunities to strengthen customer relationships. Major technological developments include ‘open banking’, a modular and dynamic IT architecture, biometric authentication, artificial intelligence and robotic advisers. These developments make it possible to serve entire customer ecosystems in an integrated way, personalise customer and adviser services, increase efficiency and accelerate the time-to-market of innovations. Increased focus on data security, privacy and ethical issues surrounding technological developments also offer opportunities to distinguish ourselves as a safe and reliable bank.

THREATS

- **Increasing laws and regulations:** the financial sector is facing increasing pressure from legislation and regulations, for instance from the EU Taxonomy. This demands a great deal of time, money and change capacity from banks.
- **Digital revolution:** technology has increased competition from other types of players, such as FinTech and BigTech. They are raising the bar for digital customer service. Moreover, banks are increasingly being called upon to address privacy, data security and ethical issues in the area of technology and data.
- **Increasing competition in terms of social positioning and impact:** other banks are increasingly focusing on sustainable banking. This is a positive development but also an additional challenge to further strengthen our distinctive position and driving role.
- **High inflation:** persistently high inflation, partly due to the current geopolitical situation and rising energy and gas prices, is creating higher burdens for our customers. This puts pressure on Dutch households’ purchasing power. It is still unclear to what extent government measures will be sufficient to prevent payment problems among Dutch households.

Inputs
This is what we need and what we can impact.

Social capital
By social capital we mean the relationships with our stakeholders, in particular with our customers. Strengthening customer relationships is an important part of our strategy.

Natural capital
By natural capital we mean a healthy climate and sustainable use of raw materials. We want our activities to have as little negative impact on this as possible.

Human and intellectual capital
By human and intellectual capital we mean our employees. They ensure that de Volksbank's business operations continue and that we provide the best possible customer service.

Financial capital
By financial capital we mean money entrusted to us by customers and the shareholder and funds raised by us in financial markets. We want to increase our financial capital by earning a healthy financial return.

Our activities
These are our mission, ambition, business profile and business model.

Mission Banking with a human touch

Ambition Creating shared value for customers, society, employees and shareholder

Promise **Better for each other**

+

Four brands, each with its own social theme:

SNS
PEOPLE FIRST. THEN MONEY.
Equal growth opportunities for everyone

asn bank
Money creates happiness
Sustainability

RegioBank
The socially engaged community bank
Quality of life

BLG wonen
We see your potential
Decent housing for everyone

Products and services:

Payments
Savings
Mortgages
Investments
Insurances
Small business
Additional propositions and partnerships

Example of the value creation process
High customer satisfaction (NPS) results in a stronger customer relationship.

Outputs
These are direct outputs from our activities, excluding the consequences.

Outcomes
These are the outcomes for our stakeholders resulting from our activities.

Customers

Outputs	Outcomes
€ 1.1bn new mortgage production	**-1** KPI customer-weighted Net Promoter Score
1,087m KPI active multi-customers	**+53** KPI customer-weighted Customer Relationship Score

Society

Outputs	Outcomes
831 kton CO_2e avoided	**62%** KPI climate-neutral balance sheet
1,336 kton CO_2e emissions	

Employees

Outputs	Outcomes
7.6 KPI genuine attention for employees	**7.8** committed employees
	7.4 engaged employees

Shareholder

Outputs	Outcomes
€ 965m income; **€ 707m** expenses	**€ 191m** net result
20.3% KPI CET1 ratio	**5.2%** KPI RoE
4.7% KPI leverage ratio	**67.9%** KPI cost/income ratio

Impact (long-term contribution)
We make the greatest contribution towards these SDGs

We continuously monitor the outcomes for our stakeholders with our KPIs. These outputs and outcomes have a certain positive or negative impact on the inputs we use.

1.2.3 How we create value

Being a financial institution, we play an important role in the Dutch economy and in society. We help households save money and build up capital. We also help businesses and households if they are short of money, for example with a mortgage loan. We provide (online) payment services and manage sustainable funds in which our customers can invest. These activities create value for our retail customers and for small businesses throughout the Netherlands, our chain partners and society as a whole. Our partners in the chain also operate mostly in the Netherlands.

Moreover, as a social bank, we strive for a sustainable and fair way of doing business. We give substance to this by translating the Principles for Responsible Banking (PRB) and the Sustainable Development Goals (SDGs) into strategic themes such as sustainability, decent housing, equal growth opportunities and quality of life. Given our shared value ambition, we aim to create benefits for our customers, give genuine attention to our employees, take responsibility for society and achieve returns for our shareholder. We realise that we can only do so if we remain a sound and solid bank.

Value creation model

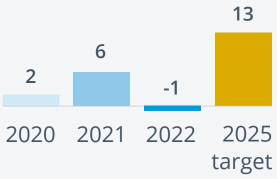
The value creation model on the previous pages is a visual representation of the way in which we create, or remove, value for our stakeholders. Resources, so-called inputs, may increase or decrease due to external developments, but also due to our own influence. If we do not use these inputs with due care, we run the risk of removing value. To prevent this, we continuously adapt our activities. For example, our biodiversity policy aims to ensure that we do not finance activities that significantly harm natural capital. Apart from implementing the progressive sustainability policy, we continue to analyse topics of great value to our stakeholders by means of the Materiality Assessment, the Impact Analysis - as part of our PRB implementation - and our customer surveys. Creating value is not something to do in isolation. That is why we aim to collaborate as effectively as possible with partners. In many cases, we are the driving force of collaboration. For more information on the latter, see Section 2.2.4 Strategy, policies and practices. An example of an input that we influence is 'social capital', part of which are customer relationships and our reputation. Our activities result in certain outputs, such as the number of customers. We use the 'Net Promoter Score', our customer KPI, to measure the customer satisfaction score. We use the Customer Relationship Score to measure our customer relationships to see if these have been strengthened and if customers are satisfied, thus improving our reputation in the long term as an outcome. To complete the circle, we use this improved relationship and reputation as input to tailor our activities to the expectations of the customer. The inputs, outputs and outcomes presented here are not exhaustive. Each year, we try to get a better picture of these aspects. The value creation model includes the insights from an analysis of our surroundings as we speak with our stakeholders and cooperate as much as possible with our main partners, such as the Dutch Banking Association and other civil society organisations and initiatives (including PCAF, PBAF and PLWF). For more information, see Section 2.2.5 Stakeholder engagement. The value creation model can serve as guidance for the reader to understand the connections in this report between our inputs, activities, mission, vision and purpose, our brands, products and services, our business model, the internal and external environment we are active in, risks and opportunties, our material topics and our targets and KPIs. In addition we added a connectivity matrix to visualisse these connections in a different manner, please see Section Connectivity matrix.

1.3 Our strategic progress

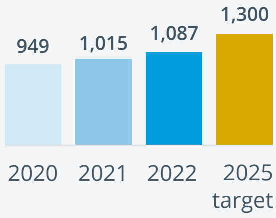
STRATEGIC OBJECTIVES

Customers

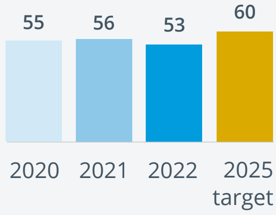
Customer-weighted average Net Promoter Score



Number of active multi-customers (in thousands)

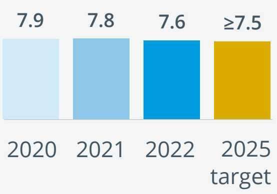


Customer-weighted average customer relationship score



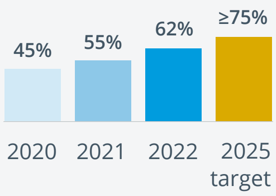
Employees

Genuine attention



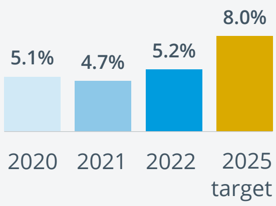
Society

Climate-neutral balance sheet

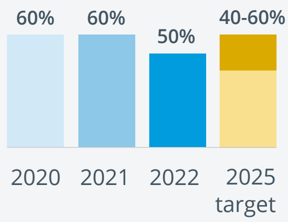


Shareholder

Return on equity

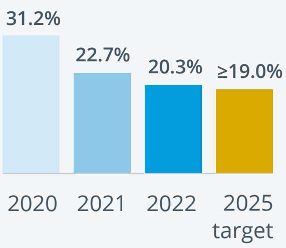


Dividend pay-out ratio

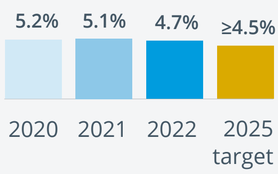


Other objectives

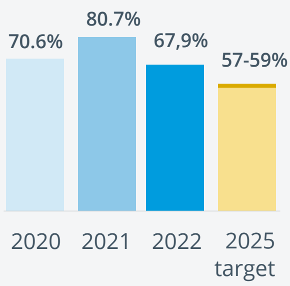
CET1 ratio [1]



Leverage ratio



Cost/income ratio



1. The CET1 capital ratio target is based on full phase-in of Basel IV standards. We estimate that the Basel IV fully loaded ratio as at 31 December 2022 will be 0.1 percentage points lower compared with the reported 20.3%.

Our strategic process

The strategy for the coming years builds on our mission to achieve a positive impact through banking with a human touch: for our customers, society, our employees and our shareholder. Based on the strategic ambitions for 2021 – 2025 and the forecast for the economic developments and financial markets, we have set objectively measurable goals for each stakeholder group, which are closely monitored.

1.3.1 Strong customer relationship

De Volksbank aims to be a bank where people feel at home. A bank that cares about easy-to-understand products, privacy and security and that wholeheartedly supports society. We strive to build strong customer relationships; whatever we do must add value for our customers. To measure the customer relationship we defined three specific key performance indicators (KPIs), each with its own target, i.e. the customer-weighted Net Promoter Score (NPS), the number of active multi-customers and the customer-weighted average Customer Relationship Score (*KRS*).

Net Promoter Score

The customer-weighted average NPS[2] declined to -1 in 2022, compared with +6 at year-end 2021. This was the case across all our brands and was mainly related to an increase in the number of detractors, which can be attributed to the changing interest environment and the introduction of the basic banking package. This package combines several day-to-day banking activities such as payments, savings and our personal services and was introduced on 1 July 2022 for SNS and RegioBank customers and on 1 October 2022 for ASN Bank customers. Customers pay a fixed monthly fee for this package no matter what product they have, like for instance only a savings account. The NPS decrease was mainly attributable to customers with a savings account and no current account. De Volksbank has set itself a goal of +13 by the end of 2025.

Number of active multi-customers

As from 2021, one of our customer KPIs is the number of active multi-customers[3]. In 2022, this number rose by 72,000 to 1,087,000. Our target for year-end 2025 is 1.3 million active multi-customers. The total number of current account customers grew by 126,000 to 1,907,000. The total number of customers dropped by 182,000 to 3,285,000, mainly due to the outflow of mono savings customers following the introduction of the basic banking package.

[2] A positive NPS requires the percentage of promoters to be higher than the percentage of detractors. Whether a customer is a 'promoter' (9-10), 'passively satisfied' (7-8) or a 'detractor' (0-6) is measured on a 1 to 10 scale. The NPS is calculated by subtracting the percentage of detractors from the percentage of promoters. The score can range from -100% to +100%.

[3] An active multi-customer is a customer with a current account and at least one product from another product group and may be a retail customer or a business customer. An active current account is a current account on which the customer initiated at least ten transactions for three months in a row.

Customer Relationship Score

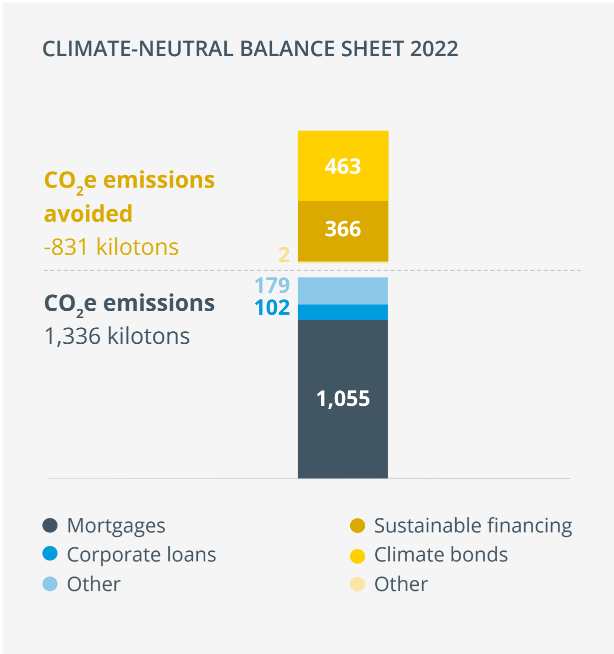
The customer-weighted average Customer Relationship Score (*KRS*) is a new KPI. We developed this score ourselves, in collaboration with the Behavior Change Group. The customer-weighted average KRS measures how strong the relationship is that customers experience based on their satisfaction with, trust in and brand love for their bank. The higher the score, the stronger the relationship is perceived to be. Over 2022, the customer-weighted average of the banking brands was 53 (average 2021: 56)[4]. Our target for year-end 2025 is a customer-weighted average KRS of 60.

1.3.2 Social impact

We contribute to society through our principle of shared value. We want to generate a positive social impact where we can, minimise our negative impact and make our own operations sustainable.

Climate-neutral balance sheet

At year-end 2022, we were 62% climate neutral which puts us well on track to achieving our interim target of at least 75% by 2025. This is the result of an increase in financed renewable energy projects and an increase in purchased green bonds with a strong focus on renewable energy projects. The climate neutrality continued to improve due to the decrease in the electricity grid emission factor in the Netherlands, and improvement of avoided emissions calculation for renewable energy projects. As from 2021, the climate-neutral balance sheet is calculated using the Partnership for Carbon Accounting Financials (PCAF) methodology.



[4] De Volksbank's customer-weighted average Customer Relationship Score (KRS) is the customer-weighted average of all banking brands (SNS, ASN Bank, RegioBank). By means of an extended matrix the strength of the relationship is calculated based on the scores for satisfaction, trust in and love for the brand. The scale ranges from 0 to 100.

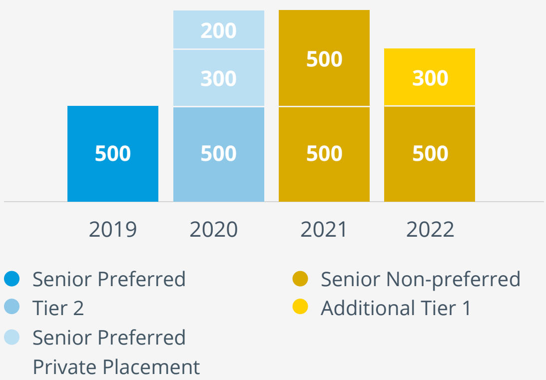
The CO_2 emissions financed in 2022 amounted to 1,336 kilotons compared to 1,341 kilotons in 2021 (the 2021 figure was recalculated using the PCAF methodology). Avoided CO_2 emissions amounted to 831 kilotons in 2022 compared to 742 kilotons in 2021, also recalculated. See Section Definition and methodology of strategic KPIs for more information.

Green bonds

De Volksbank sees the issuance of green bonds as an effective tool to make a positive contribution to the climate and achieving the Sustainable Development Goals of the United Nations. We aim to further diversify our investor base through our green financing strategy by focussing on socially responsible and highly dedicated sustainable investors and by strengthening the relationship with existing investors.

The most recent Green Bond Framework, reviewed in 2021, is in line with our new strategy and the EU Taxonomy. The Green Bond asset pool was positively assessed for compliance with this Taxonomy. For more information on the Green Bond Framework, accompanying publications, and on the EU Taxonomy, see our website and Section 2.5.2 EU taxonomy respectively. In 2022 de Volksbank issued € 0.5 billion in Green Senior Non-Preferred notes and € 0.3 billion in Green Additional Tier 1 notes. Taking into account the two Green Senior Unsecured Private Placements that matured in 2022, the outstanding amount of Green Bond issuances at year-end 2022 equals € 2.8 billion.

GREEN BOND ISSUANCES 2019 – 2022 (in € m)



Decent Housing

We are integrating the Decent Housing theme in our services. In 2022, we translated this theme into three KPIs, which we will fine-tune in 2023:

- Making housing accessible to households earning up to twice the average income.
- Sustainable recovery based on financial care during major life events.
- Construction of new residential units.

For more information, see our Annual Review 2022.

In addition to our own targets and actions, we are calling upon governments, businesses and other partners to jointly strive for a sustainable and fair society. Collaborations with PCAF, PBAF, the European Citizens' Initiative, which calls for concrete measures to ensure workers in the garment industry are paid a living wage, *NLvoorElkaar* and other initiatives such as Eurowise (teaching materials) and our Housing Accessibility Monitor, are just a few examples of our concrete actions.

1.3.3 Four growth priorities of the brands

Our brands showed the first signs of progress in achieving their growth priorities for the next few years:

- SNS broadened its target audience by including younger customers and strengthening its business model with more fee income. In 2022, we launched three campaigns, we updated our brand promise and introduced new products and services, for retail customers as well as for self-employed persons and SMEs.
- ASN Bank aims to accelerate growth as a digital, sustainable bank. In 2022, the number of ASN Bank customers decreased mainly due to the introduction of the basic banking package. Yet, the number of investment accounts grew.
- RegioBank continued to have a strong local presence with a broad range of propositions and was again voted 'most customer-friendly bank' in the Netherlands in May 2022.
- BLG Wonen is further expanding its distribution reach and service. The bank organised various events and is working on a power of attorney for service providers. Furthermore, we actively helped people who are looking to buy a home and spend a large portion of their income on rent (high-rent tenants), to improve their chances of getting a mortgage.

1.3.4 Five necessary change movements

1. Digital and omni-channel dialogue

De Volksbank aims to strengthen its relationship with its customers and advisers by providing a human touch in customer contact and consistent and personalised service through online and offline channels. To this end, we delivered a new My environment in 2022 and rolled out an adviser portal (My Office). We also modernised the setup and design of the banking app, the rollout of which will take place in 2023. Products and services can now be purchased through multiple digital channels, and by using a Volksbank Design System, a consistent and recognisable experience is provided for customers.

To make customer contact more personal, a chatbot and live chat have been added as contact options in the SNS banking app and My environment. In addition, we have developed the option to show personalised messages to customers in the banking app and My environment when relevant. For our other brands, we have also planned this approach in 2023.

2. Relevant range of products, new propositions and small businesses as a new target market
We deliver more value for our customers and the bank by expanding our brands' current product range with existing and new propositions and addressing the target market for small businesses.

To enhance our personal engagement with SMEs and strengthen our local presence, in 2022 we provided the right knowledge and support in the distribution channels. For example, we improved application processes, making business financing even easier and faster to take out, and expanded our online platform where SME customers can compose their own tailor-made services. We also continued to work towards sustainable customer relationships by talking to customers about the challenges they encountered and how, for instance, sustainability can be a structural solution for future-proof business operations.

We are committed to improving the financeability of SMEs in the Netherlands. For example, we proactively engage in dialogue with politicians, and our SNS and RegioBank brands have conducted various campaigns specifically aimed at small business owners. Together, these activities have allowed our SME portfolio to grow and awareness of de Volksbank brands as *the* bank for small business owners to increase.

In 2022, we partnered with more independent financial advisers. Customers may now use the services of valuation platform Fitrex, which offers the possibility of requesting (desktop) valuations and providing bank guarantees through *Nationale Waarborg* (National Guarantee). Since October, SNS customers can take out a new business insurance package through our partner NN, an insurance company, marking an expansion of insurance products and the target group. SNS, ASN Bank and RegioBank also introduced a Basic Banking package. This package combines several day-to-day banking activities such as payments, savings and our personal services. Customers pay a fixed monthly rate for this package.

3. IT-based customer bank
We want to achieve a modular, customer-driven, mostly cloud-based IT infrastructure with more automated IT processes. In 2022 we worked on our customer bank transition by starting to build the new customer administration, delivering the first components of our workflow management system, improving the data platform and working on continuous integration and delivery through development pipelines. These developments will continue in 2023.

4. Customer focused
To accomplish a transition towards a more customer-oriented organisation, we need to transform into an agile organisation. The programme set up to this end is called *Klantificeren Graag!* aims to bring about this transition based on the 'de Volksbank collaboration model'. In 2022, 100% of the organisation in scope had implemented an agile working method, including an agile mindset and agile behaviour. In addition to the Scrum and KanBan tools for (change) teams, we started the rollout of Lean for our service teams. A first evaluation of de Volksbank collaboration model took place at the end of 2022, focussing on the 'set-up' and 'existence', knowing that we have allocated 2-3 years for the optimal functioning of the model. The agile maturity of change teams was measured for the first time in November 2022, creating a starting point for teams to start with their own continuous development.

5. Efficient and flexible
We are continuously looking for opportunities to work more efficiently and flexibly. We are working on this partly through the new agile way of working as explained in change movement 4 above, but also by looking for an ideal mix of partnerships, outsourcing and doing work ourselves. Apart from this, it is important that we make the best use of the assets on our balance sheet. To that end, in 2022, we assessed key purchasing contracts and, based on the outcomes, we re-engaged with suppliers on contracts where required. We also started outsourcing processes on various IT components. More information on the main steps and developments on the balance sheet and use of capital can be found in Section 4.8 Capital management.

1.3.5 Strategic objectives
The strategic objectives for our customers are explained in Section 1.3.1 Strong customer relationship and for society in Section 1.3.2 Social impact. As to the progress towards our other objectives, we provide an update below.

GENUINE ATTENTION FOR EMPLOYEES
We want to empower employees to make a meaningful contribution to our mission and strategy by giving attention to autonomy, personal growth and professionalism. Every six months, we monitor the key performance indicators (KPIs) of creating shared value for employees: genuine attention and commitment and engagement. For the KPI 'genuine attention' we aim for a score of at least 7.5 (on a 1-10 scale) in 2025. For commitment and engagement the goal is a score of 8.0. In November 2022, 79,9% of all employees participated in the employee survey. The scores for genuine attention as well as for commitment and engagement remained high at 7.6, 7.8 and 7.4 respectively (October 2021: 7.8, 7.9 and 7.4 respectively). Taking into account the impact of the transformation into an agile organisation, we consider these to be satisfactory scores.

KPIs[1]	2022	2021	2020	2019	Target 2025
Genuine attention	**7.6**	**7.8**	**7.9**	**7.7**	**≥7,5**
Commitment	7.8	7.9	8.4	8.0	8.0
Engagement	7.4	7.4	7.6	7.4	8.0

1 On a scale from 1 to 10.

De Volksbank offers employees the opportunity to work on their own future as well as on the future of de Volksbank and society. Our employees indicate that they enjoy working at de Volksbank because they want to make banking human and build lasting relationships with customers. They experience their work as meaningful and can make a contribution to society.

For more information on learning, personal development and employee vitality, see Section 2.5.1 Other material topics. For more information on subjects such as the new collective labour agreement or gender balance, see Section 2.2.2 Our activities and employees.

RETURN FOR OUR SHAREHOLDER

De Volksbank aims to be a financially healthy and stable bank with low risk activities. Our target Return on Equity (RoE) is 8%.

Return on equity

In 2022, the bank achieved a Return on Equity (RoE) of 5.2%, compared to 4.7% in 2021, thanks to higher net profit. As communicated earlier, we are making substantial investments to implement the strategy 2021-2025 aiming to achieve a RoE of 8% by the end of 2025.

Dividend

De Volksbank has set a target range of 40% - 60% of net profit for the regular dividend distribution. In line with this policy, de Volksbank decided in its General Meeting of Shareholders (GMS) in April 2022 to distribute a dividend of € 97 million for 2021, corresponding to a pay-out ratio of 60%.

Driven by de Volksbank's annual profit and considering current economic and geopolitical uncertainty, we propose to pay out 50% of the bank's net profit[5] to our shareholder for the financial year 2022, which corresponds to a dividend amount of € 90 million.

OTHER STRATEGIC OBJECTIVES

Capital and leverage ratio

The target level of the Common Equity Tier 1 (CET1) ratio and the leverage ratio are based on Basel IV and the end-state of the CRR Non-performing Exposures (NPE) rules.

De Volksbank's CET1 capital ratio decreased to 20.3%, from 22.7% at year-end 2021 as risk-weighted assets increased, largely related to the increased short-term exposures to other financial institutions and exposures to corporates, used to optimise the return on excess liquidity. The CET1 capital ratio remained well above our target of at least 19%.

The leverage ratio declined to 4.7%, from 5.1% at year-end 2021, as the € 9.5 billion leverage ratio denominator growth had a bigger impact than the € 217 million increase in Tier 1 capital.

Please refer to the Section 4.8 Capital management for an explanation of our capital objectives and achievements.

Cost/income ratio

In 2022, higher total income and virtually stable operating expenses including regulatory levies resulted in an improved cost/income ratio (C/I ratio) of 67.9% compared to 80.7% in the previous year. We expect the C/I ratio to meet the 2025 target range of 57-59% as the implementation of strategic initiatives is intended to gradually improve both income and operating expense levels. Furthermore, due to the changed interest rate environment, the prospect of a positive development of total income has improved.

For more information on the cost/income ratio, see Section 1.4.2 Financial results.

1.3.6 Options for the future

On 26 January 2022, during a general consultation on State participations, the Minister of Finance mentioned that, as far as de Volksbank was concerned, NLFI had indicated a period of approximately three years before any decision on the bank's future options could be taken.

On 7 July 2022, the Dutch Minister of Finance informed the House of Representatives about NLFI's most recent progress report on de Volksbank. In this report, dated 30 June 2022, NLFI stated that de Volksbank made a good start in creating a more robust organisation and strengthening its social identity since the introduction of the new strategy. NLFI remarked that further measures will be necessary to achieve a structural improvement of financial results and that market dynamics, i.e. higher inflation, higher interest rates, geo-political developments, may have an impact and may require further adjustments. The implementation of the strategy and the subsequent improvement of financial results will require several years and the Minister of Finance noted that de Volksbank should be given time to bring this about and that it was too early for a definitive decision on the privatisation of the bank.

On 22 February 2023, the Minister of Finance, following up on the letter of 7 July 2022, wrote to the House of Representatives that, in order to avoid unnecessary delay, she intends to take a directional decision about the future of de Volksbank before the end of 2023. In the decision, all options for the future and all governance models will be taken into account, as well as the eventual necessity for the State to safeguard the public interests related to de Volksbank. The House of Representatives, NLFI, de Volksbank, and where necessary the supervisory authorities, will be involved in the preparation of the directional decision. The Minister concluded that a definitive choice for a future option can only be made when NLFI concludes that de Volksbank is ready for a decision.

[5] Excluding AT1 coupon payments.

1.4 Our business performance

1.4.1 Commercial developments

	31-12-2022	31-12-2021
CUSTOMERS		
Total number of customers (in 1,000)	3,285	3,467
Total number of active multi-customers (in 1,000)	1,087	1,015
Total number of current account customers (in 1,000)	1,907	1,781
Market share of new current accounts[1]	23%	20%
MORTGAGES		
Residential mortgages (gross in € billions)[2]	48.3	47.2
Market share of new mortgage production (in #)	5.4%	5.8%
Market share of mortgage portfolio (in €)	5.9%[3]	6.0%
SAVINGS		
Retail savings (in € billions)	44.5	45.6
Market share of retail savings	10.4%	11.3%

1 Source: Ipsos market research, based on Moving Annual Total (MAT), at the end of each reporting period, looking back over the last 12 months.
2 Excluding IFRS value adjustments.
3 Third quarter 2022 figures because market size figures were not yet available.

Customers and payments

As from 2021, one of our customer KPIs is the number of active multi-customers. In 2022, this number rose by 72,000 to 1,087,000. Our target for year-end 2025 is 1.3 million. The total number of current account customers grew by 126,000 to 1,907,000. The total number of customers decreased by 182,000 to 3,285,000, mainly due to the outflow of mono savings customers following the introduction of the above-mentioned basic banking package.

De Volksbank's market share of new current accounts grew to 23% (2021: 20%). This market share is significantly above the market share on a total portfolio basis of approximately 10%.

Current account customers per brand

	2022	2021
Total current account customers (in 1,000)	1,907	1,781
SNS	1,030	998
RegioBank	419	377
ASN Bank	458	406

Mortgages

De Volksbank's residential mortgage portfolio, excluding IFRS value adjustments, grew to € 48.3 billion (year-end 2021: € 47.2 billion) as new production exceeded redemptions. As the mortgage rates rose, homeowners were eager to lock in rates for a longer period of time, increasing their financial security. In 2022, the share of new mortgages with a fixed interest rate of 15 years or longer amounted to 60% of our total mortgage originations (2021: 71%). Impacted by the sharp increase in mortgage rates as from the second quarter, there was a shift towards 10-year fixed mortgage rates and the market for new mortgages contracted. New mortgage production amounted to € 7.4 billion (2021: € 8.1 billion). Our market share of new residential mortgage production stood at 5.4%, compared to 5.8% in 2021. Repayments amounted to € 6.3 billion, compared to € 7.0 billion in 2021, mainly due to the decreasing mortgage refinancing volumes. Interest rate renewals amounted to € 1.9 billion, a decrease compared to 2021 (€ 2.4 billion), mainly due to lower regular renewals.

Savings

In 2022, savings deposits at de Volksbank decreased by € 1.1 billion to € 44.5 billion, mainly driven by the changed interest rate environment and the introduction of a monthly fee for the basic banking package. In a market in which household savings grew, our market share decreased to 10.4%, from 11.3% at year-end 2021.

1.4.2 Financial results

Profit and loss account

in € millions	2022	2021	Change
Net interest income	851	775	10%
Net fee and commission income	51	39	31%
Other income	63	13	385%
Total income	**965**	**827**	**17%**
Operating expenses excluding regulatory levies	586	588	0%
Regulatory levies	69	79	-13%
Total operating expenses	**655**	**667**	**-2%**
Impairment charges of financial assets	52	-58	190%
Total expenses	**707**	**609**	**16%**
Result before taxes	**258**	**218**	**18%**
Taxation	67	56	20%
Net result	**191**	**162**	**18%**
Addition to (release of) restructuring provision	17	--	
Revaluation loan in relation to the insolvency of DSB	--	17	
Total incidental items	**17**	**17**	
Adjusted net result[1]	**174**	**145**	**20%**
Cost/income ratio[1]	67.9%	80.7%	
Adjusted cost/income ratio[1]	70.3%	83.3%	
Return on Equity (RoE)[1]	5.2%	4.7%	
Adjusted Return on Equity (RoE)[1]	4.7%	4.2%	
Net interest margin (bps)[1]	1.15%	1.11%	
Cost/assets ratio as a % of average assets[1]	0.79%	0.84%	
Adjusted cost/assets ratio as a % of average assets[1]	0.83%	0.87%	

1 For the measurement methodology of this KPI, reference is made to the Section Reconciliation of alternative performance measures in this report.

NET RESULT

Compared to 2021, net profit increased by € 29 million to € 191 million. Both years included positive incidental items in the amount of € 17 million after tax.

In 2022, net profit included a release of the restructuring provision of € 23 million before tax in relation to the agile way of working. The organisation is in the process of being structured differently and transitioning to a uniform and agile way of working. This approach leads to more efficient collaboration and a flatter organisation. The restructuring provision was reassessed, resulting in a release of € 23 million. This release is the result of a rapidly changing regulatory environment, which requires additional professional expertise and capacity within the bank. The envisaged reduction in existing FTEs was adjusted in favour of re-employment in other vacancies mainly related to additional regulatory and compliance topics, resulting in fewer redundancies.

In 2021, net profit also included incidental items of € 17 million, consisting entirely of a positive revaluation of € 22 million before tax of a previous contribution made under the Deposit Guarantee Scheme (DGS) in relation to the insolvency of DSB.

Net profit, adjusted for incidental items, rose by € 29 million (+20%) to € 174 million. Total income was € 138 million higher, with all income line items contributing to this. Net interest income increased due to the improving interest rate environment and net fee and commission income continued to grow, reflecting our ambition to further diversify our income sources. Other income was positively impacted by high results from swaptions used to hedge our interest rate risk. This more than compensated for a € 110 million swing in impairment charges of financial assets. Total operating expenses, adjusted for incidental items, decreased by € 12 million due to € 10 million lower regulatory levies.

INCOME

Breakdown income

in € millions	2022	2021	Change
Net interest income	851	775	10%
Net fee and commission income	51	39	31%
Investment income	-8	3	-367%
Result on other financial instruments	70	10	--
Other operating income	1	--	--
Total income	**965**	**827**	**17%**
Net interest margin (bps)[1]	1.15%	1.11%	

1 For the measurement methodology of this KPI, reference is made to the Section Reconciliation of alternative performance measures in this report.

Net interest income

Net interest income increased by € 76 million to € 851 million (+10%) and the net interest margin rose to 1.15% (2021: 1.11%). Both increases were mainly driven by the more favourable interest rate environment in the second half of 2022. As a result of rising interest rates, the interest on liquidities deposited with financial institutions, such as the ECB, went up, showing a swing from interest paid to interest received. In addition, interest income on our investment portfolio increased, while expenses to hedge our interest rate risk decreased.

Interest expenses on savings also went down slightly. Until 1 October 2022, our brands charged 0.5% interest per year on that part of the balance that exceeded € 100,000, due to the low and negative interest rates on financial markets. As from 1 October 2022, we no longer charged negative interest rates and as from 1 December 2022 our brands started offering a positive savings rate. In 2022, savings deposits at de Volksbank decreased by € 1.1 billion to € 44.5 billion, mainly driven by the changed interest rate environment and the introduction of a monthly fee for the basic banking package. In a market in which household savings grew, our market share decreased to 10.4%, from 11.3% at year-end 2021.

Finally, 2021 included a charge of € 13 million related to a provision to compensate customers with a consumer facility with variable rates. For the expansion of the compensation scheme, we increased the provision by an additional € 5 million in 2022.

The aforementioned positive items were partly offset by lower mortgage income, higher wholesale funding expenses and reduced compensation for loss of interest income due to mortgage prepayments.

Income on mortgages decreased as a result of interest rate renewals at lower rates. On top of that, new mortgage production was concluded at lower rates than the rates of repaid mortgages. In 2022, the residential mortgage portfolio, excluding IFRS value adjustments[6], showed an increase to € 48.3 billion (year-end 2021: € 47.2 billion).

Wholesale funding expenses were higher due to issuances of senior non-preferred debt - to strengthen our MREL ratio - and covered bonds.

Compensation for loss of interest income due to mortgage prepayments declined sharply in the second half of 2022 as mortgage rates rose significantly and the mortgage refinancing market contracted accordingly. For the whole year, this compensation amounted to € 70 million, which was below the level received in 2021 (€ 103 million). The compensation amount in 2022 included a € 20 million gain related to the refinement of the amortisation model.

Net fee and commission income

Total fee and commission income rose by € 17 million to € 154 million (+12%), while total fee and commission expenses went up by € 5 million to € 103 million. On balance, net fee and commission income rose by € 12 million to € 51 million (+31%), mainly due to higher fees from mortgage advice and from property valuation platform Fitrex B.V. (acquired on 1 September 2021). In addition, payment fees went up and the introduction of a monthly rate for the basic banking package contributed to the rise in net fee income.

Management fees were below last year's level as assets under management decreased by € 0.8 billion to € 3.9 billion on account of negative stock market developments.

Investment income

Investment income amounted to € 8 million negative, compared to € 3 million positive in 2021. In both years investment income consisted entirely of realised results on fixed-income investments, sold as part of asset and liability management and the optimisation of the investment portfolio.

Other results on financial instruments

Other results on financial instruments increased to € 70 million, compared to € 10 million for the previous year. This high level was driven by exceptional circumstances in the financial markets, which were reflected in the sharp rise in ECB interest rates and persistently high market volatility. The result in 2022 was mainly driven by an exceptional amount of € 46 million for swaptions used to protect (hedge programme) the bank's long-term interest income against sharply rising market interest rates. As the reason for protection occurred in 2022, a non-recurring gain was realised. In addition, treasury results improved on the back of the changing market environment, and results on derivatives related to sold investments went up. These results were partly offset by lower results on hedge accounting ineffectiveness of mortgages. Although the relative hedge effectiveness was high, market value movements of derivatives and related mortgages were significant, driven by sharply rising interest rates.

6 Consisting of fair value adjustments from hedge accounting and amortisations.

TOTAL EXPENSES

Operating expenses

Operating expenses and FTE

in € millions	2022	2021	Change
Staff costs	383	414	-7%
Depreciation of (in)tangible assets	22	20	10%
Other operating expenses	250	233	7%
Of which Regulatory levies	*69*	*79*	*-13%*
Total operating expenses	**655**	**667**	**-2%**
Addition to (release of) restructuring provision - staff costs	-23	--	
Incidental revaluation of loan related to the DSB insolvency - other operating expenses	--	-22	
Adjusted operating expenses	**678**	**689**	**-2%**
FTES			
Number of internal FTEs	3,123	3,178	-2%
Number of external FTEs	764	783	-2%
Total number of FTEs	**3,887**	**3,961**	**-2%**

Total operating expenses decreased by € 12 million to € 655 million (-2%). Both 2021 and 2022 included positive incidental items. In 2022, operating expenses included a release of the agile restructuring provision of € 23 million, while in 2021, operating expenses were positively impacted by a € 22 million revaluation of a previous contribution made under the DGS in relation to the insolvency of DSB.

Excluding incidental items, total operating expenses declined by € 11 million (-1%). Regulatory levies amounted to € 69 million (2021: € 79 million), of which € 14 million linked to the resolution fund contribution (2021: € 11 million), and € 55 million to the ex-ante DGS contribution (2021: € 68 million). The lower DGS contribution was mainly due to lower covered deposit growth year-on-year.

Operating expenses excluding incidental items and regulatory levies went down by € 1 million. Staff costs decreased by € 8 million, partly due to a decrease in total FTEs as a result of the successful roll-out of the agile way of working. Compared to year-end 2021, the total number of FTEs dropped by 74 to 3,887, consisting of a reduction of 55 internal FTEs to 3,123 and of 19 external FTEs to 764.

Other operating expenses, excluding regulatory levies and incidental items, increased by € 5 million, mainly due to higher IT and consultancy costs for investments, such as in Know Your Customer (KYC)-related projects. The increase was partly compensated by lower marketing costs.

A combination of lower adjusted expenses and higher average assets reduced the adjusted cost/ assets ratio to 83 basis points (bps), compared to 87 bps in 2021.

Impairment charges of financial assets

Impairment charges (reversals) of financial assets

in € millions	2022	2021
Investments	8	1
Loans and advances to banks	5	--
Loans and advances to customers	39	-59
Of which residential mortgages	*17*	*-46*
Of which consumer loans	*-3*	*3*
Of which SME loans	*2*	*-12*
Of which other corporate and government loans	*23*	*-4*
Total impairment charges financial assets	**52**	**-58**
Cost of risk of total loans and advances to customers[1]	0.08%	-0.12%
Cost of risk of residential mortgages[1]	0.04%	-0.10%
Cost of risk of SME loans[1]	0.21%	-1.56%

1 For the measurement methodology of this KPI, reference is made to the Section Reconciliation of alternative performance measures in this report.

Total impairment charges of financial assets amounted to € 52 million in 2022, compared to a reversal of € 58 million in 2021. Actual defaults of residential mortgages and SME loans remained very low, but the deteriorated economic outlook used in our provisioning models resulted in a higher level of impairments. For a more detailed description of the impairments based on the 'Expected Credit Loss' model in line with IFRS 9, see Section 4.3 Credit risk.

Residential mortgages

In 2022, we took an impairment charge of € 17 million for residential mortgages, where a reversal of € 46 million was recognised in 2021. The overall loan loss provision includes a management overlay that decreased in 2022. This decrease was mainly driven by a release of the Covid-19-related overlay as the impact of the virus on society was not as negative as initially estimated, and by a release of the management overlay for an adjusted scenario simulating the house price development. Conversely, a new management overlay has been included to account for the risk of high inflation affecting our customers' ability to repay their loan(s). The management overlay decrease was more than offset by an increase in modelled provisions driven by a less positive macroeconomic outlook, most notably lower expected house prices, and model improvements.

The reversal in 2021 followed from an improved macroeconomic outlook, most notably rising house prices. The positive impact from the improved outlook was partly offset by the application of a higher management overlay as the uncertainty remained high at this point in time.

Consumer loans
Impairment charges on other consumer loans consisted of a reversal of € 3 million, as opposed to a charge of € 3 million in 2021. The charge in 2021 was mainly driven by the implementation of a new regulatory definition of default.

SME loans
Impairment charges on SME loans consisted of a small charge of € 2 million as the credit quality of the portfolio remained sound. In 2021 there was a reversal of € 12 million, driven by an improved macroeconomic outlook, in particular an expected reduction in the number of insolvencies.

Other corporate and government loans
Impairment charges on other corporate and government loans rose to € 23 million, caused by increased credit risk of a few individual loans provided. In 2021, impairment charges on other corporate and government loans consisted of a reversal of € 4 million as the credit risk on the same loans decreased.

Loans to banks
Impairment charges on loans to banks amounted to € 5 million (2021: nil), driven by increased credit spreads.

Investments
Impairment charges on investments amounted to € 8 million, compared to € 1 million in 2021. This increase was mainly driven by increased credit spreads on our fixed-income portfolio.

Outlook
We expect net interest income in 2023 to continue to improve, benefitting from the changing interest rate environment. We expect interest income on mortgages and other assets to improve gradually and hedging costs to decline, partially offset by an increase in funding costs. Net fee and commission income is expected to increase reflecting the progress of our growth initiatives. Other results on financial instruments are expected to return to a lower level as the financial year 2022 was positively impacted by a gain on swaptions used for hedging purposes. In all, we expect total income to be higher compared to the 2022 level.

We also expect operating expenses to be higher, mainly driven by IT security investments and projects related to banking regulations and customer compliance supporting our aspiration to be a more robust and resilient organisation.

The impact of geopolitical developments, such as the war in Ukraine, and of the macroeconomic forecasts on our customers and their financial resilience, is highly uncertain. Consequently, this may impact our loan loss provisioning levels. We expect to increase these levels in line with our outlook for moderate loan growth.

Taking into account the factors described above, we expect net profit for 2023 to be above that of 2022.

1.4.3 Reconciliation of alternative performance measures

Our financial results are prepared and reported in accordance with IFRS-EU, as detailed in Section Financial statements. We also present alternative performance measures, i.e. non-IFRS financial measures. These include the adjusted performance that we use to align internal and external reporting, identify and quantify items that management believes to be significant, and provide insight into how management assesses the bank's period-on-period performance.

To derive the adjusted performance, we adjust for certain incidental items, i.e. items that have an impact on the net result in excess of € 15 million and have an incidental nature, thus limiting insight into the underlying developments.

- In 2022, net profit included positive incidental items of € 17 million, entirely consisting of a release of the restructuring provision of € 23 million before tax. This provision was largely formed in 2020 and has now been partially released.
- In 2021, net profit included positive incidental items of € 17 million, entirely consisting of a positive revaluation of € 22 million before tax for a previous contribution made under the Deposit Guarantee Scheme in relation to the insolvency of DSB.

Definitions of additional ratios presented in this Integrated Annual Report are presented in the tables Non-IFRS financial measures on the next pages.

Reconciliation of reported to adjusted net result

in € millions	2022 Reported	2022 Adjust-ments	2022 Adjusted	2021 Reported	2021 Adjust-ments	2021 Adjusted
Net interest income	851		851	775		775
Net fee and commission income	51		51	39		39
Investment income	-8		-8	3		3
Other result on financial instruments	70		70	10		10
Other income	1		1	--		--
Total income	**965**		**965**	**827**		**827**
Staff costs	383	23	406	414		414
Depreciation and amortisation of tangible and intangible assets	22		22	20		20
Other operating expenses	250		250	233	22	255
Of which: regulatory levies	*69*		*69*	*79*		*79*
Total operating expenses	**655**	**23**	**678**	**667**	**22**	**689**
Of which: operating expenses excluding regulatory levies	***586***	***23***	***609***	***588***	*22*	***610***
Impairment charges of financial assets	52		52	-58		-58
Of which: investments	*8*		*8*	*1*		*1*
Of which: loans and advances to banks	*5*		*5*	--		--
Of which: residential mortgages	*17*		*17*	*-46*		*-46*
Of which: consumer loans	*-3*		*-3*	*3*		*3*
Of which: SME loans	*2*		*2*	*-12*		*-12*
Of which: other corporate and government loans	*23*		*23*	*-4*		*-4*
Total expenses	**707**	**23**	**730**	**609**	**22**	**631**
Result before taxation	**258**	**-23**	**235**	**218**	**-22**	**196**
Taxation	67	-6	61	56	-5	51
Net result for the period	**191**	**-17**	**174**	**162**	**-17**	**145**

NON-IFRS FINANCIAL MEASURES

KPIs and adjusted KPIs

	2022			2021		
in € millions	**Reported**	**Adjustments**	**Adjusted**	**Reported**	**Adjustments**	**Adjusted**
Cost/income ratio	Total operating expenses (including regulatory levies) as a percentage of total income.					
Total operating expenses	655	23	678	667	22	689
Total income	965		965	827		827
Cost/income ratio	**67.9%**		**70.3%**	**80.7%**		**83.3%**
Return on Equity (RoE)	Annualised net result for the period, excluding interest expenses related to AT1 capital securities, as percentage of average month-end total equity, excluding AT1 capital securities, for the reporting period.					
Net result	191	-17	174	162	-17	145
Interest expenses related to AT1 capital securities	-12		-12	-		-
Average month-end total equity	3,424		3,424	3,458		3,458
Return on Equity (RoE)	**5.2%**		**4.7%**	**4.7%**		**4.2%**
Net interest margin (bps)	Annualised net interest income as percentage of average month-end total assets for the reporting period.					
Net interest income	851		851	775		775
Average month-end total assets	73,763		73,763	69,958		69,958
Net interest margin (bps)	**1.15%**		**1.15%**	**1.11%**		**1.11%**
Cost/assets ratio	Annualised total operating expenses excluding regulatory levies as a percentage of average month-end total assets for the reporting period.					
Operating expenses excluding regulatory levies	586	23	609	588	22	610
Average month-end total assets	73,763		73,763	69,958		69,958
Cost/assets ratio	**0.79%**		**0.83%**	**0.84%**		**0.87%**

Cost of risk

in € millions	**2022**	**2021**
Cost of risk	Impairment charges of financial assets as a percentage of average month-end loan portfolio exposure for the reporting period.	
TOTAL LOANS AND ADVANCES TO CUSTOMERS		
Impairment charges of financial assets - total loans	39	-59
Average month-end portfolio exposure - total loans	50,705	49,417
Cost of risk total loans and advances to customers	**0.08%**	**-0.12%**
RESIDENTIAL MORTGAGES		
Impairment charges of financial assets - residential mortgages	17	-46
Average month-end portfolio exposure - residential mortgages	47,892	46,465
Cost of risk residential mortgages	**0.04%**	**-0.10%**
SME LOANS		
Impairment charges of financial assets - SME loans	2	-12
Average month-end portfolio exposure - SME loans	968	769
Cost of risk SME loans	**0.21%**	**-1.56%**

Loan-to-Deposit ratio (LTD)

in € millions		2022	2021
Loan-to-Deposit ratio	Loans and advances to retail customers as a percentage of amounts due to retail customers		
Total loans and advances to customers		48,966	50,570
IFRS value adjustments		-2,040	810
Loans and advances to other corporates and governments		315	431
Loans and advances to retail customers		**50,691**	**49,329**
Total amounts due to customers		57,150	58,128
Amounts due to non-retail customers		527	571
Amounts due to retail customers		**56,623**	**57,557**
Loan-to-Deposit ratio		**90%**	**86%**

2.

SUSTAINABILITY STATEMENTS

2.1 Introduction

In this chapter we present our sustainability information. The information disclosed in sections 2.2 General disclosures, 2.3 Material topics and 2.4 Topic-specific disclosures is in accordance with the Global Reporting Initiative (GRI) 2021 Standards. The structure of these sections is inspired by the order of requirements in the GRI Standards. Also presented in this section are ESG ratings and other ESG-related disclosures, for example about our results on the EU Taxonomy. More details on our reporting approach can be found in Section Our approach to reporting.

Sustainability is a broad and complex concept. When we think of sustainability we generally envision a world in which a balance is struck between humanity, the environment and the economy - now and in the future. The definition of sustainable development from the 1987 UN report 'Our Common Future' (Brundtland) is the foundation of how we conceptualise sustainability: 'Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.' This definition shapes our efforts to make a positive impact on the environment and society as a bank.

The term ‘Environmental, Social and Governance’, in other words ESG, has become an industry standard for categorising sustainability by means of these three themes. Said themes are in line with our Sustainability Policy, which comprises three pillars: climate, biodiversity and human rights. Governance is an important precondition for sustainability, this is true for de Volksbank itself as well as for the organisations we invest in.

This paragraph discusses some developments with regard to ESG-related matters. The outside-in risks and our risk management related to sustainability are described in more detail in Section 4.9 Sustainability Risk.

2.2 General disclosures

2.2.1 Our organisation and our reporting practice

De Volksbank N.V. is a retail bank with sustainable business operations that provides services to private individuals, self-employed persons and small businesses in the Netherlands. For more information on our organisational details, see our Company profile.

De Volksbank has four brands: SNS, ASN Bank, RegioBank and BLG Wonen. All of these brands are included in the financial and sustainability reporting framework of de Volksbank N.V. For more information on the consolidation of (non-)financial statements, refer to Section Financial statements and Section Our approach to reporting.

2.2.2 Our activities and employees

De Volksbank operates in the Dutch financial sector. Our product range comprises: payments, mortgages, sustainable funds, SME loans, savings and insurance products. Our customers are mainly based in the Netherlands. For more detailed information on our activities and services, see our Company profile.

As a financial institution we do not have a traditional supply chain. We do, however, engage with the supply chain of particular industries that we invest in, such as the garment industry. For more information on this topic, see the information on human rights in Section 2.5.1 Other material topics. With regard to certain products and services we deal with (Dutch) suppliers such as writers, designers, photographers, and presswork businesses. We regularly engage with our key suppliers, i.e. we meet with them and discuss the status and progress of our business relationship.

With regard to other relevant business relationships, de Volksbank engages with NGOs, knowledge-sharing networks and other organisations and (local) governments. Refer to Section 2.2.4 Strategy, policies and practices for more information on our business relationships.

New collective labour agreement

In 2022, negotiations with the trade unions resulted in a new collective labour agreement (collective agreement) that runs from 1 January 2023 until December 2024. Employees were given the opportunity to provide input and were involved in drawing up the new collective agreement, for example by means of employee meetings. Besides salary increases, the main focus of this collective agreement is on arrangements that further highlight the social and inclusive nature of de Volksbank. For example, it offers employees the possibility of embracing diversity and inclusion in a personal way, and more inclusive leave arrangements. Our leave arrangement for volunteering was made more appealing, and the existing arrangement for older employees to work longer in good health has been expanded. Of our employees, 99% falls within the scope of the collective agreement. As senior management falls outside the scope of this agreement, a separate remuneration policy applies to them. See Section 3.4 Remuneration Report for more information.

Everyone at de Volksbank is permitted to perform voluntary work and the collective agreement contains arrangements on this. Our employees get a certain number of hours off, equivalent to twice the average amount of working hours per day, to do voluntary work during working hours.

Breakdown of employees by gender[1]

In head count

	Year-end 2022				Year-end 2021			
	Female	Male	Non-binary	Total	Female	Male	Non-binary	Total
Number of employees	1,522	1,698	0	▼ 3,220	1,517	1,754	0	3,271
Number of permanent employees	1,343	1,509	0	▼ 2,852	1,341	1,562	0	2,903
Number of temporary employees	179	189	0	= 368	176	192	0	368
Number of full-time employees	923	1,561	0	▼ 2,484	891	1,614	0	2,505
Number of part-time employees	599	137	0	▼ 736	626	140	0	766

1 De Volksbank has no non-guaranteed hours employees, and all employees have specified their gender.

De Volksbank employs slightly more men than women. This ratio is also reflected in the proportion of men and women with temporary or permanent employment contracts. However, we see a different picture in the proportion of men and women with full-time or part-time employment: most men work full-time (92%), while 61% of women work full-time. At de Volksbank, employees can indicate in the staff system whether they are male, female or non-binary when entering employment or if they are already in service. To date, no-one has made use of the non-binary option.

Breakdown of workers[1] who are not employees by gender[2]

In head count

	Year-end 2022				Year-end 2021			
	Female	Male	Non-binary	Total	Female	Male	Non-binary	Total
Number of workers who are not employees	218	572	0	▼ 790	265	550	0	815
Agency worker[3]	176	377	0	▼ 553	211	376	0	587
Self-employed persons	42	195	0	▲ 237	54	174	0	228

1 A worker is a person who performs work for the organisation
2 De Volksbank has no workers who are not employees who did not disclose their gender.
3 Temporary employees and agency workers

Of the total number of employees at de Volksbank, about 20% are external employees. Compared to 2021, this number decreased slightly. Externals are hired to deal with formation bottlenecks, such as vacancies, for temporary change projects and for peaks in workload.

2.2.3 Governance

The governance structure of de Volksbank changed in 2022. As part of the new strategic plan for 2021-2025 de Volksbank introduced an Executive Committee (ExCo) which replaced the former Board of Directors as from 16 May 2022 to add focus and balance to the management of the organisational transition. For detailed information on the governance structure of de Volksbank and role of the highest governance body, see Section 3. Governance.

The topic of sustainability governance is of great importance to de Volksbank, also with regard to the organisations that we invest in or finance. The Sustainability Management Policy describes the governance of de Volksbank's approach to sustainability. The development and implementation of sustainability is assigned to owners within the ExCo and senior management. The Social Impact Committee (SIC) is a risk committee with a broad mandate that is responsible for the development of our sustainability initiatives, our social impact and the impact of sustainability matters on the bank. The SIC meets 8 times a year, or more frequently if required and is chaired by the Chief Risk Officer, representing the ExCo. For more information on this committee and information related to the sustainability governance of de Volksbank, see Section 3.5 Sustainability Governance.

As de Volksbank's mission is Banking with a human touch, this implies that we also add a human touch to the remuneration of our employees. In establishing the compensation policy and actual compensation, we take account of our stakeholders, i.e. our customers, society, our employees and the shareholder. For detailed information on our remuneration policies, see Section 3.4 Remuneration Report.

A lifelong learning programme is in place to deepen and broaden the knowledge of members of the ExCo and Supervisory Board. For more details on this lifelong learning programme, see Section 3.2 Report of the Supervisory Board.

2.2.4 Strategy, policies and practices

SUSTAINABILITY STRATEGY

De Volksbank aims to have a positive impact on society and to reduce its negative impact. We do so by offering socially responsible propositions. This approach, in turn, also contributes to the resilience of de Volksbank against transitional and physical sustainability-related risks. For example, due to our stringent sustainability policy, we do not have any exposures in companies that are directly involved in the extraction and combustion of fossil fuels. Therefore, we do not face any transitional risks related to this type of asset. All in all, the pre-existing strategic focus on social impact results in a relatively low risk profile for Environmental, Social and Governance (ESG) related matters.

In 2021, we presented the Strategy 2021-2025, which explicitly aims to accelerate our positive social impact. In developing this new strategy, de Volksbank used various plausible scenarios of marketplace developments, including inputs related to ESG factors and risks. In this process we also analysed important internal and external developments. Inputs in this field included scenario analyses, such as sustainability scenarios, consultations with our stakeholders, the materiality matrix, stress tests and the annual Strategic Risk Assessment.

The strategic time horizon is medium term (5 years), spanning from 2021 to 2025. However, our sustainability KPIs exceed the horizon of the strategic plan with long-term objectives for 2030 (10 years) and 2050 (30 years). De Volksbank's strategic plan should be seen as an adaptive plan, which means that we will continuously assess and adapt the strategy and forthcoming plans on a short-term basis (1 year) if necessary. The annual Strategic Risk Assessment is an important tool to recalibrate the strategy against internal and external trends, including important developments in ESG risks.

We use various metrics to assess our sustainability related risks and opportunities. The table below sets out some of our metrics and targets.

Sustainability Metrics

Definition	Type	2022	Target
Climate-neutral balance sheet	Key Performance Indicator	62%	100% climate neutral in 2030
Impact on biodiversity	Key Performance Indicator	In development	Net positive impact on biodiversity in 2030
Average energy label of mortgage portfolio[1]	Key Risk Indicator	3.6	2.9 in 2025
Gender balance in management positions	Key Risk Indicator	39%	40-50% women in management positions in 2025

1 On a scale from 1 to 7. Label A=1, B=2, etc.

Greenhouse gas emissions & Science-Based targets

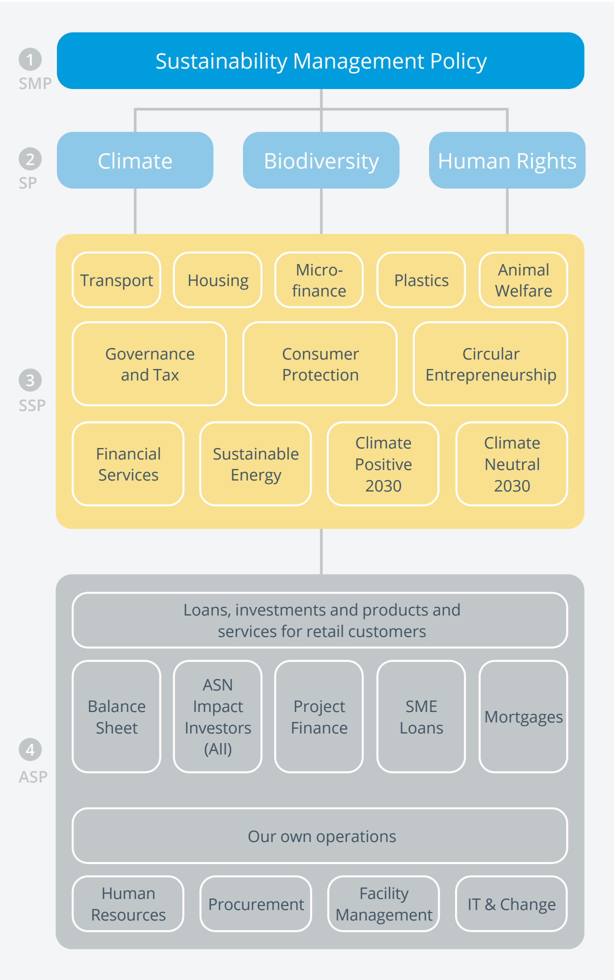
Our KPI 'climate-neutral balance sheet' consists of an estimation of the emissions avoided with our activities and the emissions caused by us. These calculations are based on the PCAF methodology and cover scope 1, 2 and 3 emissions. For more details on our climate-neutral balance sheet and methodology, see Section Definition and methodology of strategic KPIs.

De Volksbank is the first financial institution in the Netherlands with approved Science Based Targets (SBT) for our scope 1, 2 and 3 emissions. The latter includes emission reduction targets on mortgages (real estate), renewable energy (power), and investments covering relevant balance sheet categories.

POLICIES

Sustainability House of Policies

The Sustainability Management Policy describes the governance of de Volksbank's approach to sustainability. This document forms the basis for the further development of specific sustainability policies for the various business activities. Together they form the so-called Sustainability House of Policies, the purpose of which is to have a well-understood and accepted governance and definition of sustainability for the bank and its stakeholders. The bank's approach to sustainability covers all of its activities and is applied at the following four levels. The approval of the different policies within de Volksbank-wide Sustainability House of Policies lies with the Board of ASN Bank.



Level 1 Sustainability Management Policy (SMP)

The SMP serves as a framework for companywide awareness on sustainability and the resulting application throughout the organisation. The SMP primarily covers the governance, strategic ambition, responsibilities and procedures.

Level 2 & 3 Sustainability Policies (SP) and Specific Sustainability Policies (SSP)

The SPs and SSPs contain all detailed information on sustainability content that applies to the entire organisation, including our investments. Sustainability is not static, so the exact number and themes in relation to the content of the sustainability policies may vary from time to time. In SSPs, we provide additional guidance and criteria for specific themes (such as animal welfare or plastics), sectors (such as financials) or asset classes (such as ESG bonds). These SSPs are related to one of the three SPs. They are developed by the Sustainability Expertise Centre (SEC). The SEC keeps in touch with external parties including NGOs, other financial institutions, academics, politicians and the media. The SEC also prepares the Sustainability Policy of ASN Impact Investors.

We distinguish three pillars in our SPs: climate, biodiversity and human rights. Countries, organisations and businesses are assessed based on these strict sustainability policies. The approach to our SPs consists of two elements: 1) a set of sustainability criteria to exclude or avoid investments that have a negative impact and 2) a set of criteria to support investments that contribute to sustainability. Below we elaborate on the two elements of our approach for each pillar (climate, biodiversity and human rights).

Human rights

We have a wide range of policies to avoid violations of human rights in our loan and investment portfolios. We do not invest in companies that engage in or profit from war or armed conflict. We cannot and will not reconcile ourselves with the idea that these types of companies benefit from the existence of, and increase in armed conflicts. This implies that we also refrain from every form of financing of or investment in companies involved in the development, maintenance, testing, storage and distribution of weapons. Examples of criteria to support investments that uphold collective, human and labour rights are: equal treatment, no forced or child labour, safe and healthy working conditions, and respecting the rights of local communities and indigenous people. For further details on these policies, see our Human Rights Policy.

Climate

Climate change is one of the most pressing problems the world is facing at the moment. In order to mitigate the impact on climate change, our sustainability criteria avoid involvement in entities that have a negative impact on climate change and support investments that contribute to combating climate change. Activities we refuse to invest in are, for instance, the exploration, extraction and production of fossil fuels and electricity generation by means of fossil fuels. For details on these policies, see our Climate policy. In order to adapt to the impact of climate change we strive for a 'climate-neutral balance sheet by 2030' and use this initiative to advocate climate neutrality in the rest of the financial services sector.

Biodiversity

We aim to reduce the ecological impact from our loans and investments by analysing whether potential loans and investments meet our strict sustainability criteria. Our criteria for biodiversity are in line with the main threats concerning the loss of nature and biodiversity: land use and nature deterioration;

overexploitation; climate change; invasive and exotic species; and pollution. For further details on these policies, see our Biodiversity Policy. At the same time we are enhancing biodiversity by investing in, i.a. biodiversity conservation, renewable energy and the circular economy. When the positive effect we achieve on biodiversity with our loans and investments is greater than our negative impact, we have achieved our long-term goal: to have a net positive impact on biodiversity in 2030.
Closely linked to this policy is our policy on Circular Economy, which includes our vision on the circular economy and in which less and more efficient use of both renewable and non-renewable raw materials takes centre stage.

Level 4 Applied Sustainability Policies (ASPs)

The ASPs specify how specific policies are implemented in various processes. Thus, compared with other policies that deal with the 'why' and 'how', these policies have a more practical approach, i.e. 'what to do'. The SEC closely cooperates with the relevant departments in developing these ASPs. Final responsibility of implementing these more operational policies lies with the relevant departments. Besides providing support or advice on implementation, the SEC supports these departments in formulating and achieving the related objectives. If necessary, the SEC can also provide training on the sustainability policies or specific sustainability topics to the departments. This is in addition to the sustainability learning path in the internal learning platform (Learning Experience Platform) that covers the Sustainability House of Policies as well.

Procurement policy

Responsible procurement and contracting

Sustainable procurement is good for the environment and can save money. We therefore check products and services to be purchased in terms of their CO_2 emissions, useful life and circular use. We have a Procurement policy that is applicable to approximately 3,000 suppliers. When selecting suppliers, we take their sustainability criteria into account. We not only take a close look at suppliers' sustainability policies, but also to the environmental and social aspects involved in the development of their products and services. All purchase agreements are based on de Volksbank's Terms and Conditions of Purchase. We also expect our suppliers to sign our Sustainability Statement, which contains our terms and conditions with regard to corporate responsibility. The statement is based on the Universal Declaration of Human Rights, the OECD guidelines, the UN Global Compact and the core conventions of the International Labour Organization (ILO). In addition to subscribing to these international guidelines, we ask suppliers to meet our preconditions on business attitude, transparency, value chain responsibility and innovation. For example, our suppliers shall be transparent and clear about the use of products, services and the corresponding conditions. Potential misconduct, specifically related to people or the environment, that is related to our own business activities or those of partners in the supply chain is also continuously examined as well as monitored. In case of any abuse, we directly engage with relevant and affected stakeholders about the measures taken and their subsequent results. We approach the relevant stakeholder and engage in a conversation to set up an agreement for action. If the stakeholder cannot live up to this agreement, or if we see insufficient improvement, we can decide to withdraw as an investor or financier. A more detailed description can be found on our website.

Supplier engagement

We regularly engage with our key suppliers. We meet with them and discuss the status and progress of our relationship, usually one to four times a year. For these suppliers, we draw up a Service Level Agreement (SLA) describing the requirements for the products and services provided, including sustainability aspects such as ISO 14001 certification. De Volksbank also appreciates feedback on its own responsible business activities. Stakeholders are, for example, asked to provide feedback on possible adverse effects resulting from our activities.

Foundation of our policies

Our sustainability policies are based on relevant and important global conventions, reports and initiatives that aim to ensure a bright and sustainable future for next generations. De Volksbank regards the following international treaties and conventions as the fundamental starting points for its policies and their implementation. These international treaties and conventions are subject to change and do not constitute an exhaustive list:

Human rights

- United Nations' Declaration of Human Rights
- UN Guiding Principles on Business and Human Rights
- Conventions of the International Labour Organization (ILO)
- Guidelines of the Organisation for Economic Co-operation and Development (OECD) for MNE
- UN Global Compact
- Conventions in relation to weapons

Climate

- Paris Agreement
- Intergovernmental Panel on Climate Change (IPCC) of the World Meteorological Organization (WMO)
- UN Framework Convention on Climate Change (UNFCCC)
- United Nations Environment Programme (UNEP)
- Kyoto Protocol
- Montreal Protocol
- Convention of Parties (COP)

Biodiversity

- Convention on Biological Diversity (CBD)
- Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) report
- Five Freedoms of the Farm Animal Welfare Committee
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- Convention on the Conservation of Migratory Species of Wild Animals
- International Treaty on Plant Genetic Resources for Food and Agriculture
- Convention on Wetlands (also known as the Ramsar Convention)
- UNESCO World Heritage Convention (WHC)
- UN Convention of the Law of the Sea
- Cartagena Protocol

COMMITMENTS

Our commitment to voluntary and mandatory initiatives and transparent disclosure adds a layer of accountability to our business activities and performance. Below we present a selection of the voluntary, non-binding initiatives and mandatory codes. All our brands engage in various other initiatives and commitments; for the full list and latest updates, see our website (in Dutch only).

Mandatory Codes	Explanation
Banking Code	The Banking Code contains principles for better risk management and a responsible remuneration policy at banks. The Banking Code focuses on the customers' interests and contributes to the stability of the Dutch economy. The Banking Code applies as from 1 January 2010 and is legally embedded. Banks are therefore obliged to account for compliance with the Code in their annual reports using the comply or explain principle.
Corporate Governance Code	Dutch rules of conduct are legally embedded for listed companies. The rules enforce good governance protecting the interests of shareholders, employees and other stakeholders.

Voluntary, non-binding initiatives	Explanation
International Labour Organisation (ILO)	The ILO was established in 1919 and brings together governments, employers and workers of 187 member states to set labour standards, develop policies and devise programmes that promote decent work for all men and women. It is the only tripartite UN agency.
Organisation for Economic Cooperation and Development (OECD)	The OECD is an intergovernmental economic organisation and forum with 38 member countries, founded in 1961 to stimulate economic progress and world trade. The OECD guidelines form the starting point for the Dutch international CSR policy, which provides tools for companies to deal with issues such as supply chain responsibility, human rights, child labour, the environment and corruption.
International Responsible Business Conduct Agreement (*IMVO Bankenconvenant*)	At the end of 2017, de Volksbank signed the ICSR Banking Sector Covenant, together with the NVB, other financial institutions, the government, trade unions and non-governmental organisations. Through this covenant we agreed to reduce the risk of human rights violations. Since the end of 2021, the banks have formally adopted the Responsible Business Conduct Commitment as a follow up to the RBC agreement (ICSR Covenant).
ICMA Green Bond Principles	Green Bonds enable capital raising and investment for new and existing projects that benefit the environment. The ICMA Green Bond Principles (GBP) are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the way in which Green Bonds should be issued.
Equator Principles	The Equator Principles is a risk management framework adopted by financial institutions. It is intended to determine, assess and manage environmental and social risks in project financing.
UN Global Compact	A UN initiative to encourage companies worldwide to implement sustainable and socially responsible policies and to report on their implementation.
Principles for Responsible Banking	The Principles for Responsible Banking are a unique framework for ensuring that signatory banks' strategies and practices are in line with the vision it has set for the future in the Sustainable Development Goals and the Paris Climate Agreement. There are 6 business-related principles: alignment, impacts, customers, stakeholders, governance & culture, transparency & accountability. Read more in Section Principles for Responsible Banking.
The Dutch National Climate Agreement	A financial sector led initiative to contribute to the implementation of the Paris Agreement and the Climate Agreement. The commitment is directed at the provision of suitable market-based financing arrangements for sustainability, and to the integration of climate targets, including CO_2 reduction targets in companies' own strategies. In 2022 we published our Climate Action Plan, as part of our contribution to the Dutch National Climate Agreement.
The Science-Based Targets initiative (SBTi)	The SBTi drives ambitious climate action in the private sector by enabling companies to set science-based targets for emission reductions. Targets to reduce GHG emissions are considered 'science-based' when they are aligned with the latest requirements to meet the Paris Climate Agreement. De Volksbank is the first bank in the Netherlands with approved Science Based Targets (SBT) for our scope 1, 2 and 3 emissions.
Finance for Biodiversity Pledge	Signatories pledge to the protection and restoration of biodiversity by: 1) Cooperation and sharing of knowledge; 2) Joint commitment of companies; 3) Calculating impact on biodiversity; 4) Setting targets; 5) Publicly reporting on the above no later than 2024.
Financial Health & Inclusion Commitment	The PRB Commitment to Financial Health and Inclusion is a commitment to promote universal financial inclusion and foster a banking sector that supports the financial health of customers. Launched in December 2021, the commitment is a collective journey to accelerate action on financial health and inclusion – one of the top three sustainability challenges identified by signatory banks in the 2020 PRB Collective Progress Report, as where they can have the most impact.
The National Financial Health Coalition	Both public and private organisations work together to improve the financial health among citizens of the Netherlands. A financially healthy society contributes to the well-being of individuals, organisations, the economy and thus our society. The aim of this commitment is to halve the number of households that are financially inadequate or financially unhealthy by 2030.

FEEDBACK MECHANISMS

Complaints

Mostly due to process optimisation, we saw the number of complaints drop in the years 2019 - 2021. In 2022 though, we saw the number of complaints increase substantially to 10,012 (for all brands) compared to 8,310 in 2021. This was mainly caused by the introduction of a fixed fee for the basic banking package[7], and by the newly introduced costs for business customers. These new costs are introduced due to necessary customer research. This type of research is needed to avoid financial criminality as much as possible and to contribute to a safe and stable financial system.

The complexity of complaints is increasing. The procedure to open a business bank account as a business owner is more complicated and therefore requires longer processing times, resulting in more complaints. Every month, both the leadership teams

7 This package combines several day-to-day banking activities such as payments, savings and our personal services and was introduced as of 1 July 2022 for SNS and RegioBank customers and as of 1 October 2022 for ASN Bank customers. Customers pay a fixed monthly fee for this package no matter what product they have.

of the various brands and the ExCo discuss the trends and developments in customer complaints. Every year, the Complaints Manager is invited to an ExCo meeting to provide an update of the past year.

We actively involve customers and consumers in the development of new concepts and test our online and offline communications. We continuously measure customer satisfaction and receive customer experiences, opinions and suggestions on a daily basis. We bundle this feedback and use it as input to make improvements. All feedback, whether or not it concerns a complaint, is recorded and analysed. If a customer makes a complaint, one of our employees will contact the customer in question, either in the shop or by telephone. The employee handling the complaint aims for a careful, verifiable and consistent complaints procedure. The employee is given the time and, if necessary, resources to do so. If it turns out that de Volksbank has made a mistake and the customer has suffered damage as a result of this, the latter will be compensated.

Mechanisms for seeking advice and raising concerns

Any concerns about the organisation's unethical or unlawful behaviour may be voiced through the regular processes and procedures of incident and loss management as well as through the whistleblowing procedure. A well-spread network of confidants offers staff the opportunity to raise concerns about malpractices. The annually recurring 'Integrity in the Organization' culture questionnaire (IO) shows that the employees are familiar with the content of the Code of Conduct and they know where to find the Code of Conduct. In general, de Volksbank employees are motivated to comply with the Code of Conduct and experience that their leader acts in line with the Code. Next, most employees agree with the content of the Code of Conduct and they are aware of the risk for the company in case their behaviour is not in line with the Code. According to some employees it is easy to circumvent the Code of Conduct.

MEMBERSHIP ASSOCIATIONS AND COLLABORATIONS

We are aware that the positive change we envision requires partnerships and collaboration within and outside of the financial sector. Being de Volksbank, we aim to initiate, accelerate and facilitate partnerships to achieve the Sustainable Development Goals (SDGs) on various topics. For us, this is part of our commitment to contribute to SDG 17: Partnerships for the Goals. Read more about our contribution to the SDGs in our Annual Review 2022. The following are some examples of our collaboration with stakeholders.

Dutch Debt Relief Route (NSR)

Dutch Debt Relief Route (*Nationale Schuldhulp Route*) is a public-private partnership of companies, municipalities, (aid) agencies and other cooperation partners. Together they work towards a financially strong and stable country. They do this by finding and guiding people and companies with financial worries to the help they need at an early stage. If worries have grown into debts, NSR guides these people to (debt) assistance.

Money Wise

The Money Wise Platform was launched by the Ministry of Finance to improve the financial fitness of Dutch citizens. In order to achieve this, partners from government, financial services industry, NGO's and academia collaborate in the platform.

MVO Nederland

Corporate Social Responsibility Netherlands (*MVO Nederland*) is the movement for entrepreneurs in the New Economy. New Economy develops products and services that contribute to the climate solution. This economy is climate neutral, circular, and inclusive with fair supply chains. It has created a network of partners who implement innovations in order to attain a future-proof New Economy. Entrepreneurs can continue to act as entrepreneurs.

Volunteering platform NLvoorelkaar

NLvoorelkaar is the largest Dutch volunteering platform, where the supply and demand meet. This platform, on which 180,000 participants, 65 local platforms, 55 participating municipalities and 11,000 social organisations are active, can make an even bigger impact. Starting from our social role, we want to expand this group of volunteers even more. Our employees were allowed to take special leave with pay for volunteering, with a length of maximum three times the average number of working hours per day in 2022.

Orange Fund

The Orange Fund (*Oranje Fonds*) is a Dutch foundation based in Utrecht that provides funds to foundations and associations to strengthen the social aspects of society. RegioBank and the Orange Fund have a joint fund (*VoordeBuurt Fonds*) that supports social initiatives that promote a sense of community among people and the quality of life in communities. Every year, the Orange Fund supports around 10,000 social projects across the Netherlands and the Caribbean part of the Kingdom.

Partnership for Carbon Accounting Financials (PCAF)

PCAF is a global partnership of financial institutions that work together to develop and implement a harmonised, transparent and uniform approach to measure and disclose the greenhouse gas (GHG) emissions associated with loans and investments. The approach entails a carbon accounting methodology and provides financial institutions with a starting point to set science-based targets and align their portfolio with the Paris Climate Agreement. The initiative for the PCAF was led by ASN Bank in 2015 and has since grown into a global initiative. As at year-end 2022, 350+ financial institutions, representing over $ 87 trillion, are already committed to measuring and disclosing financed emissions using the PCAF methodology.
De Volksbank is a member of the steering group of PCAF Global and of multiple working groups within PCAF Netherlands.

Partnership for Biodiversity Accounting Financials (PBAF)

The Partnership for Biodiversity Accounting Financials (PBAF) was initiated in November 2019 by ASN Bank together with 5 founding partners ACTIAM, FMO, Robeco, Triodos Bank and Triple Jump. PBAF's primary aim is to develop the 'PBAF Standard', enabling financial institutions to assess and disclose impact and dependencies on biodiversity of loans and investments. PBAF provides practical guidance to financial institutions on biodiversity impact and dependency assessment and defines what is needed in order for these assessments (either or not conducted by data providers) to deliver the right information to financial institutions. With this information financial institutions can effectively manage and report on biodiversity related risks and opportunities and contribute to the conservation and sustainable use of biodiversity. After establishing a separate foundation in 2021, the PBAF foundation formed a complete board and a diverse sounding board consisting of global stakeholders in 2022. The PBAF initiative grew to 47 financial institutions representing 13 countries.

Platform Living Wage Financials (PLWF)

Under the umbrella of PLWF, financial institutions come together to encourage, support, assess, and monitor investee companies with regard to their commitment to enable the payment of living wage to the workers in their supply chains. As recognised by the International Labour Organization (ILO), OECD and others, a living wage is a fundamental human right. Within PLWF, we are strongly convinced that a living wage is a salient human right that requires urgent attention by companies worldwide. PLWF was founded by ASN Bank, Triodos Bank IM and financial service provider MN.

In 2022, PLWF grew into a coalition of 19 investors with over € 6.5 billion (year-end 2021: € 4.6 billion) of assets under management. The PLWF is in dialogue with 34 garment companies, out of these companies 15 companies fall within the ASN Investment Universe. All 34 companies are assessed every year and this assessment on living wage shows that even though some companies made progress, the overall progress on the topic of living wage remains slow. The 15 companies that fall within the ASN Investment Universe are ranked as follows: Leaders (0), Advanced (2), Maturing (10), Developing (3), Embryonic (0). Three companies improved their score enough to be categorised in a higher category. For example, Kontoor, which was categorised as Embryonic in 2021, is now categorised as Developing. Coats moved from Developing to Maturing and Puma showed progress as well, by moving from Maturing to Advanced. The remaining 12 companies remained in the same category as in 2021.

The above reflects the progress we made together with the other PLWF coalition partners on the KPI Living wage: de Volksbank wants all garment companies in the ASN Investment Universe to fall into the category Leaders by 2030. The number of companies in the universe may change over the years; in 2022, 15 companies were included. The procedures for inclusion in the universe are explained in detail in the prospectus that can be found here. In 2022, we did not invest in all of the 15 companies included in the universe, we did however actively engage with all of them. We did so through the PLWF, as we can increase our leverage on investee companies by acting in concert with PLWF members. The previously mentioned annual assessment is followed by an engagement call in which not only the results are discussed, but also the areas for improvement and the expectations we have. Furthermore, the garment companies are invited to the PLWF annual event and in 2022 guidance was published on how these companies can meet the assessment criteria.

The PLWF and de Volksbank recognise that changes in the garment industry cannot only be attributed to the PLWF activities, other initiatives are needed too to achieve for example developments in laws and regulations. More details on the engagement by the PLWF and the developments in the ASN Investment Universe can be found in the Annual Report PLWF 2022.

Platform Woningverbeteraars

De Volksbank was the initiator of the platform Woningverbeteraars (home improvers). Together with its partners, de Volksbank created this web page, where consumers can find information on how to make their home more sustainable.

The Dutch Banking Association

The Dutch Banking Association (NVB) strives to achieve a strong, healthy and internationally competitive banking system for Dutch and foreign banks and credit institutions operating in the Netherlands. NVB is the link between the banking sector, the government and the public and contributes to a vital and sustainable sector.

TIBER & TMNL

Organisations in the financial sector are collaborating to be more resistant to cyber attacks. This takes place within the TIBER-NL programme, which is led by the Cyber Unit of *De Nederlandsche Bank* (DNB). TIBER stands for Threat Intelligence Based Ethical Red-teaming. In addition, Dutch banks have joined forces under the name *Transactie Monitoring Nederland* (TMNL). Together, they are fighting financial crime by jointly monitoring the banks' payment transactions for signals that could indicate money laundering and/or financing of terrorism.

Dutch National Homeowners Association (VEH) & National Mortgage Guarantee (NHG)

In 2022, we actively sought collaboration with stakeholders such as VEH and NHG in order to follow up on the pilot for high-rent tenants. The Dutch National Homeowners Association, *Vereniging Eigen Huis*, is a Dutch organisation for private individuals who own or want to own a home. The National Mortgage Guarantee, *Nationale Hypotheek Garantie*, offers a safety net in case someone can no longer pay the mortgage. Other smaller stakeholders on this topic were The Great National Housing Debate, Platform Mortgages and the Monitor for First-time

Buyers. By sharing practical experiences with these parties, BLG Wonen tries to influence policy-making at macro level: with a view to making an impact now and in the future, for people and society.

World Savings Banks Institute (WSBI)/European Savings Banks Group (ESBG)

WSBI focusses on international regulatory issues that affect the savings and retail banking industry. It supports the aims of the G20 in achieving sustainable, inclusive, and balanced growth, and job creation, whether in industrialised or less developed countries. ESBG is an association that represents the locally focused European banking sector, helping savings and retail banks in 21 European countries strengthen their unique approach to provide service to local communities and to boost SMEs.

UNEP PRB Biodiversity Community

A programme aimed to build knowledge for banks committed to the PRB that have started to work on biodiversity and want to learn how to integrate biodiversity into their operations and strategies.

The EU Business@Biodiversity platform

This platform provides a forum for dialogue and policy interface to discuss the links between business and biodiversity at EU level. It was set up by the European Commission with the aim to work with and help businesses measure and integrate the value of nature into business practices.

Biodiversity Working Group of the Platform for Sustainable Finance of the Dutch Central Bank

The Working Group on Biodiversity consists of eight financial institutions and two other organisations. Its members are Actiam, APG, ASN Bank, a.s.r., FMO, ING, van Lanschot Kempen, NWB Bank, Rabobank, Robeco, the Dutch Ministry of Agriculture, Nature and Food Quality, and the Erasmus Platform for Sustainable Value Creation. It is headed by Lidwin van Velden, Chair of NWB Bank's Executive Committee.

2.2.5 Stakeholder engagement

We proactively and responsibly engage with our stakeholders by involving them in what we do and by working together. The table shows a selection of the dialogues held by us, the topics discussed, stakeholder expectations and they way we responded to them. The selection of these 4 stakeholder groups is based on the latest study of our ‘field of stakeholders’ in 2019/2020, more details on this study can be found in our ESG report 2020.

Stakeholder overview

How we engage with:	Examples of topics covered:	Examples of stakeholder expectations*	Examples of activities relating to these topics:
Our customers Retail, SME and (semi-)public customers: • Our Customer Service Department communicates with our customers every day via telephone, chat, our apps, email and postal mail • We organised events where customers join us in the discussion of certain topics	• Accessibility to housing • Money management • Satisfaction with our product range and customer service	• Fair, transparent and sustainable products • Good and personal customer service and a complete range of products • Protection of privacy and personal data	• Launch of ASN Sustainable non-life insurance in cooperation with Dutch insurer a.s.r. MT1 MT4 • Our team '*Rust in Geldzaken*' proactively approached customers if they are having financial problems MT2 • Content platform 'Future Money Talks' went live, focussed on a better financial future for young people MT2 MT8 MT13 • Online training for our customers and non-customers 'Safe Banking - Do You Recognise the Scammer' MT3
Society Civic engagement with i.a. advice organisations, local communities, governments and supervisory authorities • We work together with natural environment representatives such as nature and environmental organisations • We are member of knowledge networks and engage with partners and NGOs	• Impact on people, the environment and society • War in Ukraine • Accessibility to the housing market • Human rights • Quality of life in communities	• Involvement in and cooperation on topics such as accessibility to the housing market, entrepreneurship and quality of life in communities • Responsible investing and financing, taking our climate and biodiversity into account	• Publication of the 'Social perspective on an accessible housing market' report MT8 • Publication of our Climate Action Plan MT6 • Start of the 'Good Clothes Fair Pay' campaign, part of a European Citizen's Initiative started by ASN Bank MT4 MT15 • Launch of the 'Ukraine Response Team' to help Ukrainian refugees MT13
Our employees Fulltime, parttime and temporary employees • We conduct an employee survey twice a year to ask for feedback • The Works Council is in constant dialogue with employees and discusses topics of concern with the Executive Committee	• Realisation of our strategy • Vitality • Transformation to agile working • Personal growth & development • Diversity & inclusion	• Employees expect to be given genuine attention and the opportunity for personal development • Employees expect to work in an open and people-oriented working environment, where they can be themselves and where they feel at home	• Conversations about our strategic progress, new collective agreement and agile transformation MT11 • Participation in the 'Culturele Barometer' of the Dutch Central Bureau of Statistics to gain insight in cultural diversity within our organisation MT11 MT17 • Training and awareness sessions about data privacy and security for employees MT3 • Awareness sessions about new laws and regulations and our compliance and risk culture MT7 MT12
Our shareholder NLFI holds all the shares in de Volksbank on behalf of the Dutch State • We are in dialogue with NLFI throughout the year	• Progress on strategy • Interim results • Our social role • Future of the bank • Appointments in the Executive Committee and Supervisory Board	• The shareholder expects healthy returns from an efficient company that strictly complies with laws and regulations	• We keep our shareholder informed of our performance through our interim reports MT5 • We have set a target range of 40% - 60% of net profit for dividend distribution MT5

*Based on the materiality assessment we have conducted among stakeholders. See section 2.3 for more information.

STAKEHOLDER ENGAGEMENT FOR OUR FOUR BRANDS

It is important to listen, engage and collaborate with our stakeholders in order to effectively create value for them. We study the perceptions and attitudes towards de Volksbank as a company or as an employer through market research and our employee surveys respectively. In addition, we learn to understand what our stakeholders' most meaningful topics are by conducting a materiality assessment. As we engage with our stakeholders in many different ways all year round, we would like to give an impression of our stakeholder engagement by means of the following four examples of our four brands:

SNS: Youth Council MT2

Topic & Stakeholder

To encourage equal growth opportunities for everyone, we engaged with young adults through a Youth Council. The goal of this council is to talk to young adults about their personal growth barriers, their expectations of a bank and the way in which we can help.

Dialogue

The youth council is held on a quarterly basis. During these interactive sessions, two SNS specialists and a number of other employees talk to a group of some eight young adults to gain new insights.

Response

These dialogues have given us several insights. An important one being that young adults often feel they are neglected by/not visible for banks. Through these dialogues, we want to give young adults a voice and make them feel heard.

Follow-up

In 2023, we aim for a youth council with a fixed composition. We also want to provide feedback on action points and test new products and services.

ASN Bank: Living Wage MT15

Topic & Stakeholder

We engage with international stakeholders including civil society organisations such as Fashion Revolution and Fair Wear Foundation. Experts on living wages in the garment sector and on European policy processes are also involved.

Dialogue

To place living wage higher on the agenda, we have regular meetings in different settings aimed at setting up a European Citizen's Committee that is to draw up a proposal to demand legislation from the European Commission for clothing brands and retailers in the garment industry alike to conduct specific due diligence in their supply chain to ensure workers are paid living wages.

Response

A European Citizen's Committee has been set up, consisting of 15 citizens from 10 different EU countries. The committee submitted the legislative proposal to the European Commission and is now responsible for getting 1 million signatures of EU citizens supporting the proposal.

Follow-up

An ASN Bank employee sits on the Citizen's Committee and collaborates with a continuously growing number of stakeholders throughout Europe in order to reach the one million signatures required for the proposal to be put on the official agenda of the European Commission.

RegioBank: Together against loneliness MT8

Topic & Stakeholder

Social encounters and facilities make smaller communities liveable. In this respect, the government is an important stakeholder. Therefore, RegioBank actively seeks cooperation with the government in the 'Together against loneliness' programme to facilitate social encounters and facilities for the elderly. Other stakeholders in these 'coalitions' are local entrepreneurs, care institutions, residents, clubs and foundations.

Dialogue

The Dutch Ministry of Health, Welfare and Sport has launched a national programme to fight loneliness together. Part of this programme is a local approach for municipalities to collaborate with entrepreneurs, clubs, foundations and other institutions in coalitions. Being a local bank, RegioBank takes part in these coalitions and not only identifies loneliness, but also contributes to solutions. In time, these coalitions will have a broader scope.

Response

By participating in these coalitions, Independent Advisers collect information on the social well-being of community residents. Together with the coalition partners, this makes it easier to jointly realise initiatives that make the community more liveable and creates a stage for financial education in all Dutch regions.

Follow-up

In 2023, more Independent Advisers will join existing coalitions to facilitate even more social encounters and facilities.

BLG Wonen: Pilot Duurhuur MT1

Topic & Stakeholder

More than half a million Dutch people have a hard time getting a mortgage. There are people who pay high rents, but still do not qualify for a mortgage because the current requirements are that stringent. The average high-rent tenant spends more than 40% of his/her income on housing.

Dialogue

People who have paid high rents for a period of at least three years are eligible for the high-rent (*Duurhuur*) pilot. The potential mortgage customer and our financial adviser will, in an in-person consultation, explore the possibilities of getting a mortgage.

Response

The pilot has attracted politicians' and media attention at a national level, creating a great deal of support for the pilot. Financial advisers are very happy with the pilot and rewarded it with the "Gouden Lotus Award", a Dutch price for initiatives in the financial sector.

Follow-up

The pilot has been scaled up to include more financial institutions. By scaling up, we are able to reach and help more people who have a hard time buying a home.

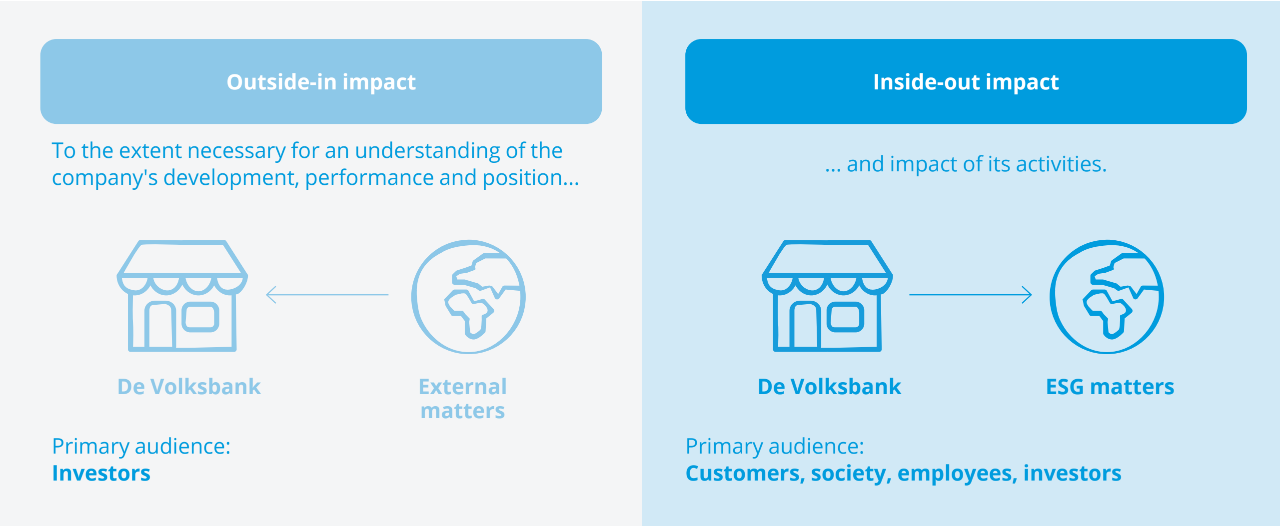
2.3 Material topics

2.3.1 Our materiality assessment

In order to effectively create value for our stakeholders, it is important to understand the topics that are meaningful to them. We study the perceptions and attitudes towards de Volksbank as a company or as an employer through market research and employee surveys. Another way to engage with our stakeholders is by means of the materiality assessment. Every other year, we carry out a comprehensive analysis on the most material topics for our stakeholders, in the intermediate year we validate and evaluate the accuracy of these topics and our process, 2022 was an intermediate year. The materiality assessment is conducted in line with the GRI.

DOUBLE MATERIALITY

We have taken steps to bring our risk assessment closer to the materiality assessment and we will continue to do so in the years to follow. Conventional risk assessments tend to look at potential impacts stemming from external events (outside-in impact), which is different from the perspective of the materiality assessment (inside-out impact). These diverging perspectives on risks stemming from the same phenomenon is called double materiality.

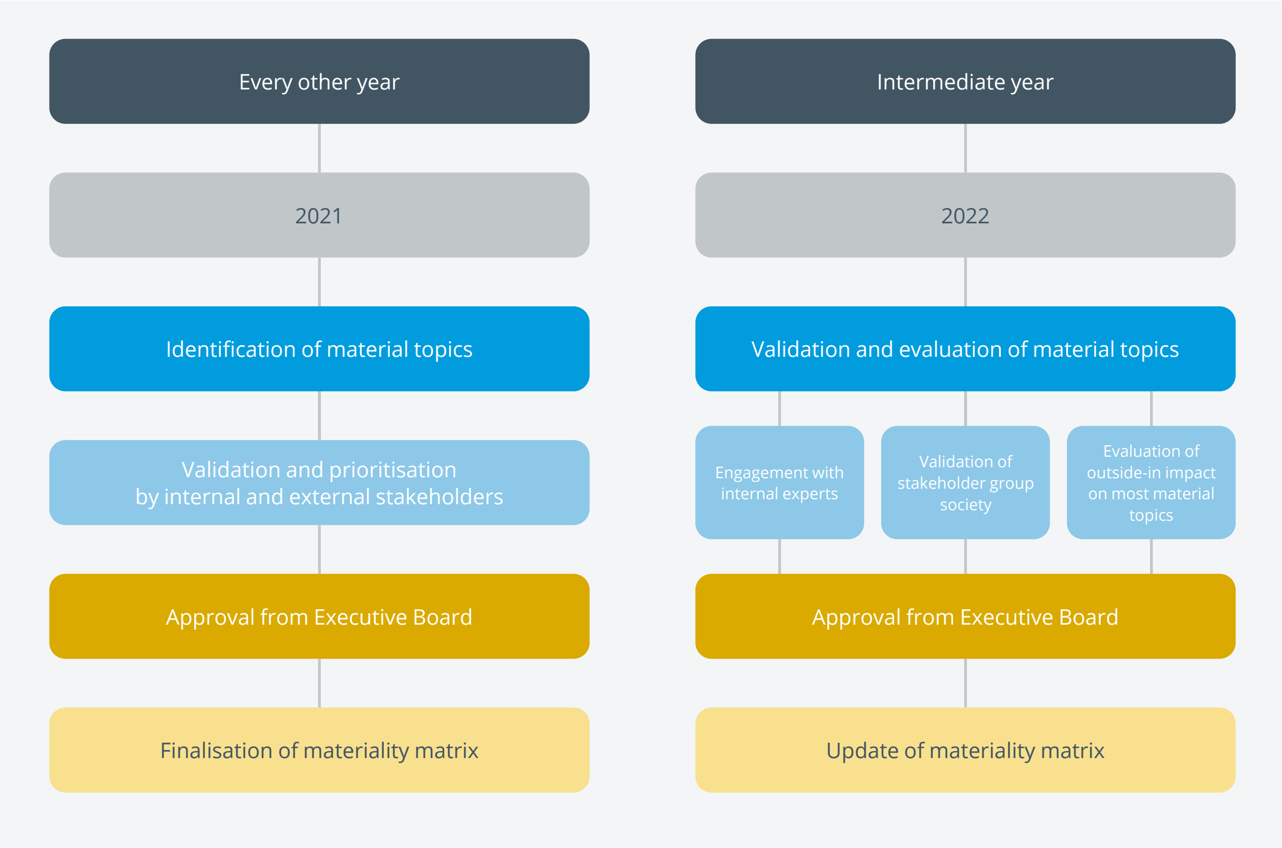


THE COMPREHENSIVE ANALYSIS: THE PROCESS OF ASSESSING MATERIAL TOPICS

The materiality assessment is carried out by a designated working group, consisting of representatives from various departments within de Volksbank. This team coordinates the process and evaluates the results. The outcomes of the assessment are reviewed by the Social Impact Committee (SIC) and approved by the Executive Board (ExBo). The process starts with a non-exhaustive and broad longlist of topics that could be material to our stakeholders. We then use internal and external documentation to narrow down the longlist to a shortlist. Internal sources include: previous reports, strategy and policy documents of de Volksbank. External sources include: trend reports, covenants and regulations, media and peer analyses. The most recurrent topics will be shortlisted. The shortlist is then validated by internal experts.

The next step is a validation and prioritisation through a survey among internal and external stakeholders. The internal stakeholders comprises experts from various departments, including senior-level management. They are asked to assess and rank the potential impact of de Volksbank on these topics. The external stakeholders, comprising customers, employees, public partners and our shareholder, are asked which topic they think should be most important to de Volksbank. During these talks the contribution of de Volksbank to the SDGs were discussed. For more information about these stakeholders, see Section 2.2.5 Stakeholder engagement. The outcomes of the internal and external prioritisation are presented in the materiality matrix in the next section. The horizontal axis shows the outcomes of the internal survey, and the vertical axis shows the outcomes of the external survey.

Process of assessing material topics



THE INTERMEDIATE YEAR: VALIDATION AND EVALUATION

In 2022, an intermediate year, we validated and evaluated the accuracy of these topics and our process to do so. In order to report in accordance with GRI 3 Material Topics 2021 Standard, we engaged with internal experts on each material topic to identify on a high-level overview the actual and the potential, negative and positive impacts on the economy, environment and people. Both across our own activities and through our business relationships. For the results of the impacts for each material topic, see Section 2.4 Topic-specific disclosures or, for an overview, see Section 2.3.3 Management of material topics.

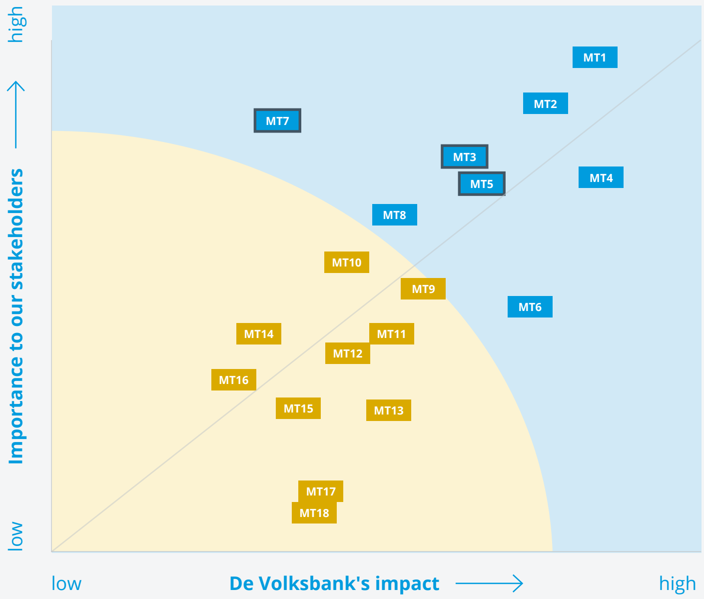
In 2022, we specifically focussed on deepening our knowledge on society as a stakeholder. For this purpose, we initiated a research project in collaboration with Solve Consultancy to verify our understanding of this stakeholder group and their expectations towards de Volksbank. The research confirmed our previously held views of the large and diverse group of our most relevant stakeholders and their interests.

In addition to the study of society as a stakeholder group, our internal risk experts specifically evaluated the outside-in impact of our material topics. As a starting point, they used the most material topics of last year's materiality analysis. They used the results of the internal strategic risk analysis, performed in early 2022, to determine which of the most material topics have a high material risk. We do not yet have an integrated process or materiality analysis which is fully in line with the double materiality principles. Our intention is to further improve this evaluation into an integrated process. Nevertheless, this marks an important step towards solidifying the double materiality perspective into our organisation. The results of this outside-in impact perspective are presented in Section 2.3.2 Material topics and for explanations per material topic, see Section 2.4 Topic-specific disclosures.

2.3.2 Material topics

The table below displays a list of the 18 material topics ranked in order of importance by our stakeholders. The materiality matrix depicts the results of the 2021 materiality assessment. The validation exercise in 2022 gave no reason to alter the 18 material topics, nor the ranking.

MATERIALITY MATRIX



Material topics

- MT1 Fair, transparent and sustainable products
- MT2 Customer relationship and service
- MT3 Data privacy and security
- MT4 Responsible investment and financing
- MT5 Responsible financial results
- MT6 Climate impact
- MT7 Compliance with laws and regulations
- MT8 Social engagement, cooperation and entrepreneurship
- MT9 Countering cyber and financial crime
- MT10 Integrity and ethics
- MT11 Genuine attention for our employees
- MT12 Responsible risk management
- MT13 Social impact
- MT14 Digitalisation and innovation
- MT15 Human rights
- MT16 Corporate governance
- MT17 Diversity and inclusion
- MT18 Biodiversity and natural resources

Other disclosures
Other topics relevant to being a responsible business

Our areas of focus
Priority topics that matter most to our business and stakeholders

High outside-in impact
Most material topics with high material risk

2.3.3 Management of material topics

We deem 8 of the 18 material topics to be most material. Therefore, the focus in our disclosures is on these 8 material topics. For more information on these 8 topics, see Section 2.4 Topic-specific disclosures. For more information on the strategic KPIs, see Section 1.3 Our strategic progress. We do, however, choose to disclose information on the remaining 10 topics as well. Read more about these topics in Section 2.5.1 Other material topics. We monitor most of the material topics by tracking the progress on relevant indicators, most of which are Key Performance Indicators (KPIs). A limited number of indicators are suitable for internal purposes only and are therefore currently not disclosed publicly.

MATERIAL TOPICS 2022

	Material topics	Section	Indicators
MT1	Fair, transparent and sustainable products	2.4.1	Strategic KPI active multi-customers Strategic KPI Net Promoter Score Strategic KPI Customer Relationship Score
MT2	Customer relationship and service	2.4.2	Strategic KPI active multi-customers Strategic KPI Net Promoter Score Strategic KPI Customer Relationship Score
MT3	Data privacy and security	2.4.3	Number of privacy complaints Dataleaks
MT4	Responsible investment and financing	2.4.4	Strategic KPI Climate-neutral balance sheet KPI Biodiversity (in development) KPI Living wage
MT5	Responsible financial results	2.4.5	Strategic KPI Return on Equity Strategic KPI Dividend pay-out ratio
MT6	Climate impact	2.4.6	Strategic KPI Climate-neutral balance sheet
MT7	Compliance with laws and regulations	2.4.7	Internal indicators
MT8	Social engagement, cooperation and entrepreneurship	2.4.8	KPI Housing Access Monitor (in development)
	Other material topics		
MT9	Countering cyber and financial crime	2.5.1	Internal indicators
MT10	Integrity and ethics	2.5.1	% of employees is familiar with the code of conduct
MT11	Genuine attention for our employees	2.5.1	KPI Genuine attention
MT12	Responsible risk management	2.5.1	KPI CET1 capital ratio and KPI leverage ratio
MT13	Social impact	2.5.1	Personal Growth Barometer
MT14	Digitalisation and innovation	2.5.1	Internal indicators
MT15	Human rights	2.5.1	KPI Living wage
MT16	Corporate governance	2.5.1	No indicators
MT17	Diversity and inclusion	2.5.1	Equal pay (% gender pay gap) Gender balance in management, Board of Directors and Supervisory Board
MT18	Biodiversity and natural resources	2.5.1	KPI Biodiversity (in development)

2.4 Topic-specific disclosures

2.4.1 Fair, transparent and sustainable products

MT1

We continuously work on understandable and transparent products and services that put customers' interests first. We strive for products and services that cause as little harm as possible to nature and the environment.

OUTSIDE-IN IMPACT

The two risk types associated with this material topic are reputational risk and compliance risk. As far as reputational risk is concerned, the norms and standards of our society, shareholder and our own organisation are constantly changing. To mitigate this risk, we continuously have to adjust our products and services to these changes. With regard to compliance risk, it is important that our employees embody our culture of prioritising customer interest and market integrity to ensure that we offer fair, transparent and sustainable products. Based on an internal strategic risk analysis we determined this material topic does not have a high material risk.

INSIDE-OUT IMPACT

De Volksbank aims to create a positive social impact by offering socially relevant propositions and providing fair, transparent and sustainable products. We can make a potential positive impact through our products by giving out a loan to customers to make their home more sustainable or by giving advice to entrepreneurs. Some of our products may have an indirect negative impact through our business relationships. The main identified negative impact is on the environment due to mortgages we provide for houses with a low energy efficiency rating. Read more about this in Section 2.4.6 Material Topic 6: Climate impact.

MANAGEMENT OF THE IMPACT

New products and services, and any changes thereto, go through the Product Approval and Review Process (PARP). We want to enter into sustainable customer relationships and create shared value for our customers, society, employees and shareholder. To weigh up these values, we always balance the interests in a demonstrable and fair way as part of the PARP. Part of the PARP are the so-called 'CUSU' criteria developed by the Netherlands Authority for the financial markets (AFM). CUSU stands for the standards Cost effective, Useful, Safe and Understandable. These criteria reflect the way in which we balance the interests of our stakeholders. For example, the Cost effective criteria are set up from the customers' perspective: products and services provided should be reasonably priced. We think this is one aspect that reflects our fair products. Another part of the PARP is used to check if the potential negative impacts related to products and services are acceptable to our brands and customers before they are launched. In 2021 we have taken the first steps towards securing sustainability in our PARP as another part of the process. In 2022 these first steps became more concrete, we formulated a plan to add sustainability criteria. In December 2022 two sustainability criteria were approved and the phase-in date for these two criteria is 1 February 2023. The Product Approval and Review Committee (PARC) is responsible for approving new - and changes to existing - products of all of de Volksbank's brands. Members on the PARC include the directors of the Legal, Risk and Compliance departments and the committee is chaired by the Chief Customer Officer (CCO).

We also check if our products and services comply with external legal requirements and our own policies. The aim of our sustainability policies and commitments is to both increase our positive impact and minimise our negative impact. For more information on our policies and commitments, see Section 2.2.4 Strategy, policies and practices.

In order to track the effectiveness of our impacts we measure the Net Promoter Score, the number of active multi-customers and the Customer Relationship Score. These KPIs indicate if customers recommend us to others, the number of products they use and if they trust us. We consider thiese as relevant indicators to track the effectiveness of the progress we made on fair, transparent and sustainable products. More information on the progress on these KPIs can be found in Section 1.3 Our strategic progress.

In 2022 we published our Climate Action Plan (CAP) as part of our contribution to the Dutch Financial Sector Climate Commitment. In the CAP we define, among other things, our ambition for a net zero balance sheet in 2050 and our commitment to reduce greenhouse gas emissions from the residential mortgage portfolio. We aim to reassess all product and service proposals of the last couple of years with the aim to support our retail mortgage customers in reducing their energy consumption and GHG emissions of their homes by providing them with loans and advice. Besides that, we found that relatively small adjustments in the credit position of a customer, e.g. to invest in energy-savings solutions, can lead to a disproportionate administrative burden, partly due to strict regulations. Together with our peers we will engage with legislators and supervisory authorities to seek appropriate solutions in this respect. To realise our ambition we will more precisely assess the required actions in 2023.

Finally, our advisers and customer service employees engage with customers on a daily basis. We aim to consult stakeholders in society in the creation of our new products and services. For more information on how we engage and examples of topics, stakeholder expectations and activities, see Section 2.2.5 Stakeholder engagement.

2.4.2 Customer relationship and service

MT2

We strive to help customers in the best possible way, not only by responding to their questions or complaints, but also by providing them with proactive solutions.

OUTSIDE-IN IMPACT

The risk type associated with this material topic is business risk. Not realising customer-related promises and/or strategic goals may lead to a decrease in customer satisfaction, which in turn may lead to a loss of customers. Based on an internal strategic risk analysis we determined this material topic does not have a high material risk.

INSIDE-OUT IMPACT

Each of our four brands has its own way of communicating with their customers. Through our brands, we have nationwide coverage, which means that there is always a branch or shop nearby where customers can go for personal advice. Furthermore, we can achieve positive impact by helping customers with their financial health and financial inclusion, for example with '*Eurowijs*' financial education and informing customers on how to save money. We also have an online Home improvement platform (*Woningverbeteraars*), a service towards our customers to help them make their homes more sustainable. We may have a negative impact on people and society through our customer relationship and services, for example when customers are dissatisfied or when we make a mistake in our services.

MANAGEMENT OF THE IMPACT

We actively involve customers and consumers in the development of new concepts and test our online and offline communications in order to improve our positive impacts. We continuously measure customer satisfaction and receive customer experiences, opinions and suggestions on a daily basis. We bundle this feedback and use it as input to make improvements. All feedback, whether or not it concerns a complaint, is recorded and analysed. If a customer makes a complaint, one of our employees will contact the customer in question, either in one of our shops or by telephone. The employee handling the complaint aims for a careful, verifiable and consistent complaints procedure and is given the time and, if required, resources to do so. If it turns out that de Volksbank has made a mistake and the customer has suffered damage as a result of this, the latter will be compensated. Besides our complaints procedure, our sustainability policies includes several criteria related to customers, including consumer protection. Read more about our sustainability policies in Section 2.2.4 Strategy, policies and practices.

To measure the customer relationship we defined three KPIs, i.e. the customer-weighted Net Promoter Score (NPS), the number of active multi-customers and the customer-weighted average Customer Relationship Score (KRS) for more information see Section Definition and methodology of strategic KPIs. For the progress on these KPIs see Section 1.3 Our strategic progress,

The stakeholder with whom we engage most about this topic is our customer. However, we also cooperate with several stakeholders in society on topics such as financial health and inclusion, voluntary work and on quality of live in the neighbourhood. More information on how we engage with customers and examples of topics, stakeholder expectations and activities can be found in Section 2.2.5 Stakeholder engagement.

2.4.3 Data privacy and security

MT3

We strive for optimal surveillance of customer, personal and company data to ensure maximum privacy and security.

OUTSIDE-IN IMPACT

The two risk types associated with this material topic are operational and compliance risk. Compliance risk is the risk that we fail to comply with data privacy and security regulations. To mitigate this risk, we need to ensure that we carefully protect (customer) data and are transparent about it. Operational risk is the risk that our systems and/or the availability of our systems do not work properly due to a data breach and/or hack. Based on an internal strategic risk analysis we determined this material topic has a high material risk.

INSIDE-OUT IMPACT

We make a positive impact by offering our customers data privacy and protection training courses, for example on the subject of phishing mails. Besides that, we continue to enhance compliance with the General Data Protection Regulation (GDPR) to secure the protection of data and privacy of our customers and employees. To ensure our customer data is protected and safe, we have secure data management systems. We also enable our customers to easily control/manage their personal data. For example by actively asking for permission when administrating their data, and by being transparent about our cookie policy.

Potential negative impacts through our own activities occur in case of a data breach that includes personal data and/or company data. We have included the latter as a breach of company data might have a negative indirect effect on customers. This may, in turn, cause customers' and society's trust in de Volksbank to decrease. These potential negative impacts can also be of reputational and/or economical nature. Potential negative impacts may occur in case of (1) non-compliance with the six principles of the GDPR; (2) lack of transparency in our communication on the processing of personal data; (3) privacy by design/default is not applied ; (4) inadequate handling of a data breach; (5) inadequate application of security measures; and (6) no or insufficient attention for the rights of everyone involved in case of, for example, a data breach.

The six potential scenarios described above also apply to our business relationships. De Volksbank also imposes its privacy policies to business relations that process personal data on our behalf. Because the negative effects will also impact de Volksbank through its business relationships.

MANAGEMENT OF THE IMPACT

We have set up a Privacy Policy (in Dutch only) to manage our positive and negative impacts on this topic. This policy is divided into different processes, which, in turn, are divided into work instructions with regard to data privacy and security. With regard to commitments, de Volksbank participates in both a consultation on data privacy with the Dutch Banking Association, and an interbank round table with the data privacy officers of several Dutch banks. We have also set up an internal Information Security Policy that describes how we protect the personal data of de Volksbank and our customers. Next to the data privacy and protection training courses we offer, we also try to manage our positive impact by improving our internal system to enhance our customer service.

We aim to minimise our negative impact with regard to data privacy and security by drawing up policies that lay down rules and standards to which the whole organisation and our business relations have to adhere. The policies contain action plans in the event of a data breach and how to engage with stakeholders. Certain countries are excluded from doing business with de Volksbank, because of national laws and regulations on this topic. Apart from this, our employees are trained in this field. For example, compliance and security issues are part of the introduction programme for new employees. To improve the data security we annually carry out several security tests, such as pen testing and red teaming, on various components of our infrastructure. With the help of ethical hackers, we put both technology and people to the test, sometimes with advance notice, sometimes without.

We do not have a specific KPI in place for this material topic. However, we do monitor data leaks and the number of privacy related complaints (see the table on this page). We also have set up a key risk indicator. This key risk indicator consists of six different early warning indicators, which relate to a number of legal requirements with regard to data privacy and security, including data breaches, the rights of people involved, records of processing activities, data protection impact assessment, processing register, data clearance and compulsory data privacy training courses. This key risk indicator is part of the risk appetite for data management. For more information on the risk appetite, see Section 4.1.3 Risk appetite and risk indicators. One of the areas for improvement was creating more support and knowledge with regard to data privacy throughout all disciplines and lines of responsibilities. In 2022, we set up a 'Guild' in which employees from each department have a meeting on this topic every month. To continue to secure data privacy at de Volksbank, our employees were trained by the Privacy Office.

Most of the ways we engage with stakeholders on this topic have already been mentioned, such as offering training courses to our customers and awareness training for employees.

CUSTOMER PRIVACY

Although we have several mitigating policies, actions and processes in place to minimise data leaks or complaints about privacy, we consider it important to monitor these aspects.

We do not yet have the intended indicator for privacy complaints available. We do consolidate and analyse all customer complaints. However, privacy-related complaints are not yet registered in a structured manner. For example the customer can tick several subjects on the complaint form to which the complaint relates. These were complaints where the customers ticked the subject privacy on the complaint form or when an employee viewed the complaint as privacy related. In addition, an employee may not recognise a complaint as privacy related. Therefore, we aim to improve the registration of privacy related complaints and want to create more awareness among employees to recognise a privacy related complaint in 2023.

The number of data leaks is generally stable and mainly concerns mail sent to customers' old addresses. This is explicable because customers themselves are responsible for changing their address with the bank. As we have an obligation to inform customers in writing, the consequence of customers not informing us of a change of address is that we send mail to the address known to us. This is unavoidable.

Reported number of identified leaks and substantiated complaints concerning breaches of customer privacy

Identified privacy complaints from regulatory bodies	0
Data leaks[1]	1,166[2]

1 Leaks, thefts or losses of customer data reported by employees. Only employees can report data leaks into our system, these can be identified by ourselves (e.g. by returned letters), customers or other stakeholders. Despite our efforts and training there is an inherent risk of incomplete incident and privacy complaints reporting. De Volksbank is partially dependent on information provided by customers and/or employees recognising and reporting incidents and privacy complaints.

2 Reported leaks, thefts or losses of customer. Data from 9 March 2022 to 31 of December 2022, due to a transition to a new registration system.

2.4.4 Responsible investment and financing

MT4

We incorporate sustainability into all our financing and investments in order to make a positive impact.

In this section we describe our impacts and management of the impacts of our project financing and financial markets investments. See Section 2.4.6 Material topic 6: Climate impact for more information on the climate impact of our mortgage portfolio.

OUTSIDE-IN IMPACT

The risk type associated with this material topic is sustainability risk, which means that not realising or openly communicating about our commitments with regard to responsible investment and financing could cause a material negative impact on the bank. As sustainability risk is often expressed in other risk types, it may also be considered as a reputational risk. Based on an internal strategic risk analysis we determined this material topic does not have a high material risk.

INSIDE-OUT IMPACT

Our mission as a bank is to foster environmental and social sustainability. We use the money that our customers entrust to us to promote sustainable development and to make forward-looking choices, with respect for people, living creatures and the planet. We thus help create a world that is safe and healthy for people to live in, and where the environment is respected, now and in the future. For example, we aim to make a positive impact by investing in affordable housing, education, public transport, sustainable energy, health care, and in companies and countries that respect human rights and the environment.

We consider our negative impact through our own activities to be relatively small. However, we have a potential negative impact through our business relationships. Despite our strict sustainability criteria, each investment we make or project we finance will have a certain negative impact on the environment and biodiversity and perhaps on human rights as well. Most of these investments will have a short term actual negative impact and a long term indirect potential negative impact. We aim to reduce the overall long term negative impact through our sustainable investment criteria.

MANAGEMENT OF THE IMPACT

Within the asset class project finance, we try to manage our positive impacts by considering what type of projects we finance. Our aim is to finance projects that have a positive impact on biodiversity and the climate, while taking human rights in consideration at the same time. We also finance renewable energy projects (wind, solar, geothermal, hydrogen) and we joined a movement to accelerate the development of biobased buildings.

We aim to minimise our negative impact as much as possible by setting stringent sustainability criteria for all our asset classes. For example, we do not invest in fossil fuels, child labour, the arms industry, nuclear energy, and countries and companies that violate human rights.

We check if potential loans and investments meet our sustainability criteria. Sustainability is the standard: we apply strict criteria and assess the policy and conduct of companies and organisations on that basis. Every other year we assess which countries' government bonds are eligible for purchase. Read more about our policy and commitments in Section 2.2.4 Strategy, policies and practices.

We monitor the progress on our long-term climate and biodiversity objectives. We want to be climate neutral by 2030 (see also Section 1.3 Our strategic progress), to have a net positive effect on biodiversity by 2030 and we want the garment industry to have all the processes in place that guarantees workers in its supply chain a living wage by 2030. We have a zero tolerance KPI for all our sustainability policies, which means that all our activities have to comply with the sustainability criteria for each asset class.

Every other year we select countries that are eligible for our government bonds portfolio. This year, we learned that in addition to the current methodology of assessing countries on exclusion criteria and sustainability criteria, it can also be very valuable to assess the current (political) state of countries and potential malpractices. In 2023, we want to add this type of assessment in our methodology for government bonds. Besides that, there is increasing reference to the EU taxonomy regulation when assessing green bonds, social bonds and sustainable bonds. The EU taxonomy regulation is not very specific on the subject of biomass and not as strict as our own sustainability policy, which can be found on our website. The EU taxonomy regulation allows, for example, natural gas as an investment, while our sustainability policy excludes this. As a precaution we exclude bonds that refer only to the EU taxonomy regulation for biomass, which could result in too few bonds eligible for approval. As from 2022, we keep track of how many and which bonds we exclude under the EU taxonomy regulation, especially biomass and natural gas. In 2023 we will investigate whether we want to align our sustainability policy with the EU taxonomy regulation for biomass. And a final 'lesson learned' for this material topic: due to growing understanding and given the nitrogen crisis, we have come to the conclusion that manure fermentation projects are nos longer sustainable enough for our project financing portfolio. We are, therefore, going to adjust this in the sustainability policy in 2023.

Before policies are implemented, relevant departments within the organisation discuss any such policy. We also gather input from relevant external stakeholders, such as NGOs or scientific institutions. In addition, every relevant internal stakeholder has a (sustainability) KPI to meet our long-term sustainability goals on biodiversity and climate. More information on our partnerships and stakeholder engagement can be found in Section 2.2.5 Stakeholder engagement**.**

2.4.5 Responsible financial results

MT5

We are committed to being a financially healthy bank, with a solid return and a strong capital position.

OUTSIDE-IN IMPACT

The two risk types associated with this material topic are business risk and interest rate risk in the banking book (IRRBB). As far as business risk is concerned, there are several risk drivers: macroeconomic conditions, insufficient balance sheet opportunities to offer long maturities and ineffective cost management. These may all have a negative impact on the bank’s financial results. As for the IRRBB, a low interest rate, as was the case until early 2022, and a highly competitive environment for mortgages and savings products may also have a negative impact on our financial results. With interest rates rising sharply during 2022, we also clearly see the risk that high interest rate volatility results in dependence on the interest income from movements in the money market rates and actions from peers. As a result, the stability of the net interest margin decreases and therefore a main source of profitability is dependent on external factors. These identified risk drivers are based on the same analysis that determined that this material topic has a high material risk.

INSIDE-OUT IMPACT

With a solid capital position, an adequate liquidity position and a simple and transparent balance sheet, we contribute to a financially sound and stable bank with activities that yield stable returns in the long term. We contribute to economic growth. We facilitate payment transactions and offer financial services in a socially responsible way.

However, our profitability may not be sufficient to guarantee the viability and sustainability of the bank's earnings model. Both internal and external factors, such as developments on financial markets and the interest rate environment may affect our capability to generate acceptable revenues. This constitutes a potential negative impact for our customers, employees, shareholder and society

De Volksbank aims for optimum total value for stakeholders rather than maximisation of a single value. An example of how difficult it can be to aim for optimum total value is that the introduction of a fixed fee for the basic banking package for customers with current and savings accounts had a negative impact on the relationship with our mono-customers. This is reflected in the developments of our Net Promoter Score and Customer Relationship Score, which decreased on average in 2022.

MANAGEMENT OF THE IMPACT

In order to manage the impact of this topic we have established policies as part of our risk management framework and have committed ourselves to externally disclosed objectives. For more information on both, see Section 4.3 Credit risk and Section 1.3 Our strategic progress, respectively.

Considering our ambition of optimising shared value, we take into account the requirements of the supervisory authorities, the expectations of rating agencies and the interests of customers and investors, while delivering an adequate return for the shareholder. We also need to meet internal targets that are consistent with our aim of being a stable bank with a moderate risk profile and low-risk activities. In this way, we try to manage our positive impacts.

Business risk management and capital management are the most relevant in relation to managing negative impacts for this material topic. In general, we established indicators for all types of risk, ensuring that the development of risks is continuously measured and adjustments are made if necessary. Business risk is defined as the risk that de Volksbank's profitability may not be sufficient to guarantee the viability and sustainability of the bank's earnings model, which is defined as the extent to which the bank is capable of generating acceptable revenues over a three-year horizon. The challenges and opportunities to achieve acceptable revenues, are addressed in our strategic plan. The primary objective of capital management is to ensure that the amount of de Volksbank's available capital is sufficient to support our strategy. Our capital requirements are determined on the basis of the bank's strategy, risk appetite and exposures now and in the future.

We have several KPIs in place to track the effectiveness of delivering responsible financial results, i.e. the Return on Equity, cost/income ratio, CET1 capital ratio and the leverage ratio. As part of our strategic plan, we have set targets for these KPIs, and we externally communicate our progress on these targets every six months. Read more about this in Section 1.3 Our strategic progress.

We engage with various stakeholders on this topic, including our shareholder, supervisory authorities and investors. Read more about how we engage with stakeholders and examples of topics, stakeholder expectations and activities in Section 2.2.5 Stakeholder engagement.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

For information on the generated and distributed direct economic value, see Section 1.4.2 Financial results.

FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES DUE TO CLIMATE CHANGE

For information on risks due to climate change, see Section 4.9 Sustainability risk.

De Volksbank recognises that, besides risks, that there are also business opportunities due to climate change. We introduced a Personal Sustainability Loan, a loan with an attractive rate that can be used by customers for sustainable spending. ASN Bank expanded its product range with sustainable home, contents and liability insurance. For more information on business opportunities due to climate change, see Section Principles for Responsible Banking, principle 3.2.

2.4.6 Climate impact

MT6

We want to make a positive contribution to the climate. As a bank, we have a significant (indirect) impact on the climate, which we measure by means of our climate-neutral balance sheet.

OUTSIDE-IN IMPACT

The risk type associated with this material topic is sustainability risk. As described in our risk profile, de Volksbank's exposure to sustainability risk primarily follows from our focus on residential mortgages in the Netherlands. For example, an increased risk of flooding leading to a decrease in property values, can lead to an increase in credit risk. Furthermore, not realising or openly communicating about our commitments with regard to responsible investment and financing could cause a material negative impact on the bank. Since sustainability risk is often expressed in other risk types, this may also be considered as a reputational risk. Based on an internal strategic risk analysis we determined that this material topic does not have a high material risk.

INSIDE-OUT IMPACT

Most of our positive impact is achieved through our investments in sustainable projects, such as projects related to wind and solar energy, innovative sources of sustainable energy, storage of all different sources of sustainable energy and activities contributing to climate transition. In addition, by supporting our customers in financing insulation and energy-saving measures we have an indirect positive impact as well.

The negative impact on the climate through our own activities is relatively low. The main source of negative impact is caused by our business operations, such as commuting and business travel, heating and furniture and appliances in our buildings. The majority of our negative impact through business relationships consists of the issuance of mortgages for both residential and commercial immovable property, especially with a low energy efficiency rating.

MANAGEMENT OF THE IMPACT

We mainly manage our (potential) negative impacts through our strict sustainability policies. We exclude countries, sectors and businesses that do not meet our criteria. The aim of our sustainability policies and commitments in relation to climate impact is to both increase our positive impact and minimise our negative impact. Read more about our policies and commitments in Section 2.2.4 Strategy, policies and practices. Besides that, we finance homes with every energy efficiency rating, allowing owners of homes with a low energy efficiency rating to make their home more sustainable. We try to minimise the negative impact of our mortgage portfolio through the programme Duurzaam Wonen (Sustainable Housing).

We aim to manage our positive impacts by financing projects that have 'negative CO_2 emissions', i.e. projects that remove emissions from the atmosphere, such as investments aimed at conserving and expanding forest areas.

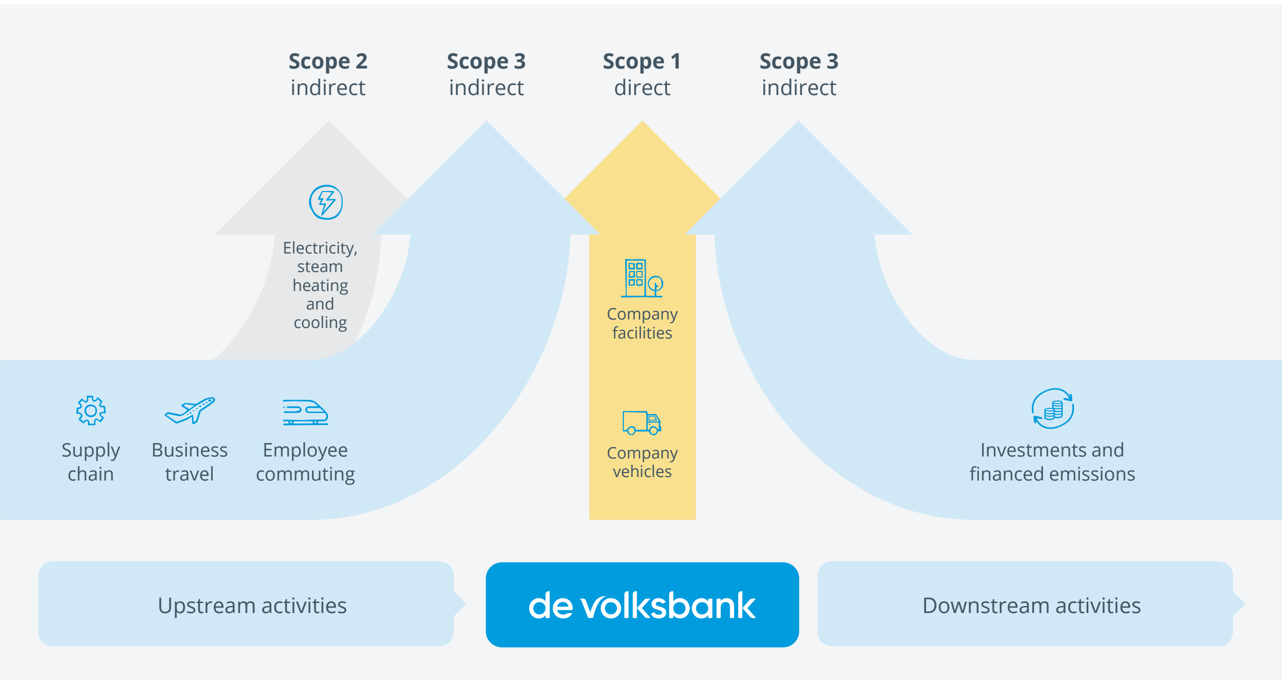
In order to track the effectiveness of our climate impact, we established the KPI climate-neutral balance sheet which measures our progress towards our goal of having a climate-neutral balance sheet by 2030. We have set Science Based Targets for our buildings and car fleet as well as for our mortgage portfolio and sustainable energy portfolio. These targets are ambitious and in accordance with the 1.5°C scenario in relation to global warming.

In 2022 we published our Climate Action Plan, as part of our contribution to the Dutch National Climate Agreement. In our Climate Action Plan we announced our ambition for a net zero balance sheet in 2050.

We engage with different stakeholders. These stakeholders consist of customers, advisers, collaboration partners, businesses, network organisations and society as a whole. Read more about how we engage with customers and examples of topics, stakeholder expectations and activities in Section 2.2.5 Stakeholder engagement.

EMISSIONS

In this section, we highlight our views on greenhouse gas (GHG) emissions and our role in causing them. From here onwards, we will generally speak of CO_2-equivalent emissions or just CO_2 emissions in short. In order to understand our impact, it is helpful to think of 3 scopes of emissions, as illustrated in the figure.



Scope 1 & Scope 2

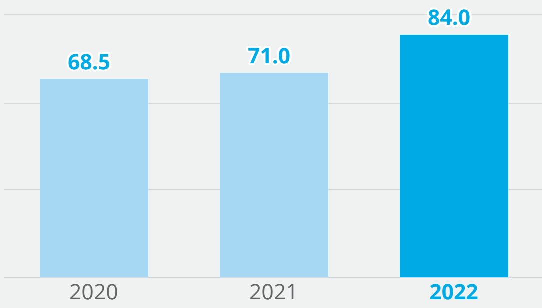
In comparison to all assets on our balance sheet, our buildings and transportation produce only around 1% of our total CO_2 emissions. We do, however, believe that our sustainability ambition is not credible without having green business operations. That is why we strive, year after year, for 100% climate-neutral business operations.

The emissions from our own business operations increased compared to last year. Mainly as in 2022 we went back to the conditions before Covid-19 and our employees were able to go back to the office more often. Consequently, we see more travel movements, both in commuter traffic and business traffic and flights. As well as an increase of energy consumption at our offices. We also noticed a decrease in usage of natural gas and an increase of the usage of district heating, in line with some of our offices switching from natural gas to district heating. Detailed CO_2e emission, energy and resource consumption data can be found in section 2.5.3 Key environmental data of our own business operations.

Sustainable commuting

In 2022, we leased a total of 217 cars, compared to 360 cars at our reference point at the end of 2016. We switched to all-electric for all new lease cars as from 1 January 2017. As from the beginning of 2022, we no longer offer a lease car to the lowest job grade (grade 12) that entitles an employee to a lease car under the company car policy (internal document). Once all current orders for new lease cars have been delivered, the lease fleet will be almost entirely electric (year-end 2022: 84%). Delivery times for new cars are currently longer than usual. Employees with a lease car have a pass for charging their car anywhere, at home, at the office locations or on the road. There are charging plazas at the office locations and charging facilities will be provided for those who can charge their car at home. All employees have an NS Business Card for business use, including employees with lease cars. Employees can choose to travel by bicycle, public transport or by car; this choice can be made every travel day. The reimbursement rate for the bike is higher (€ 0.13) than for a car (€ 0.121). The latter starts from a distance of 10 kilometres. We also offer a bicycle scheme and provide e-bike charging points in the bicycle sheds.

Employees with a lease car driving 100% electrically
In %



Scope 3

The vast majority of GHG emissions fall into the so-called scope 3 – category 15 emissions (investments), which are mainly the result of our financing activities. Our sustainability policy, which can be found on our website, excludes and avoids financing GHG-intensive sectors and companies, such as fossil fuel companies. Nonetheless, our mortgages, corporate loans and other assets do account for a significant amount of GHG emissions.

De Volksbank's balance sheet largely consists of (residential) mortgages. We understand that housing has an impact on the climate and that is why we consider it our responsibility to encourage homeowners to make their homes energy-efficient, and why we help them do so. The ASN Bank Sustainable Finance department (ASN SF) aims to positively contribute to both our climate change mitigation goals, i.e. through GHG emission avoidance and negative CO_2 emissions. We are financing several types of GHG emission-avoiding activities, mainly within the renewable energy sector. Read more about our efforts to reduce our scope 3 emissions in our Climate Action Plan 2022.

We disaggregate and disclose absolute emission data at sector level in Section 4.9 Sustainability Risk.

Scope 3 emissions

	2022					2021				
Asset class	Financed emissions in tonnes CO_2e[1]	Avoided emissions in tonnes CO_2e	Net emissions in tonnes CO_2e	GHG emissions intensity ratio (t/M€)	Data quality score[2]	Financed emissions in tonnes CO_2e[1]	Avoided emissions in tonnes CO_2e	Net emissions in tonnes CO_2e	GHG emissions intensity ratio (t/M€)	Data quality score[2]
Business loans	19,188	-	19,188	42.3	2.7	51,262	-	51,262	11.7	4.7
Unlisted equity	1	-5	-4	0.1	2.8	2	-7	-5	0.2	2.8
Listed equity	126	-1,617	-1,491	86.3	5.0	-	-	-	-	-
Corporate bonds	120,568	-463,209	-342,641	6.9	4.6	53,903	-422,616	-368,713	21.8	2.8
Sovereigns bonds	16,493	-	16,493	6.1	5.0	18,232	-	18,232	5.6	5.0
Mortgages	1,157,221	-	1,157,221	23.2	2.3	1,208,916	-	1,208,916	24.8	2.0
Project finance	22,281	-365,974	-343,693	22.3	3.5	9,162	-319,211	-310,049	10.7	3.1

1 This includes scope 1, 2 and where available also scope 3 emissions of the counterparty.
2 See Section Definition and methodology of strategic KPIs for more information.

Carbon offsetting by Trees for All in Mexico

We offset our CO_2 emissions ensuing from internal business operations by purchasing CO_2 credits. Just like in the past years, we opted for a Trees for All project. Trees for All has been planting native tree species for sustainable land use as part of the Scolel'te project in Mexico. In recent decades large parts of forest have disappeared because of forest fires and land use change to make it suitable for agricultural practices. The project focuses on afforestation and reforestation as well as implementing sustainable land management at existing farms to stop land degradation. With the proceeds from the CO_2 credits, local farmers are trained in sustainable land management and are involved in planting new climate-proof forest plots. For instance, by planting native tree species throughout coffee plantations, they are providing shade and increasing soil fertility and biodiversity.

2.4.7 Compliance with laws and regulations

MT7

We strictly adhere to laws and regulations. These days, especially in the financial services sector, social standards are an important part of the interpretation of laws and regulations and unwritten rules.

OUTSIDE-IN IMPACT

The risk type associated with this material topic is compliance risk. Non-compliance with laws and regulations may have a negative impact, both financially and non-financially. Besides these negative effects, we are required to comply with certain laws and regulations to operate our business. Based on an internal strategic risk analysis, we determined that this material topic has a high material risk.

INSIDE-OUT IMPACT

Complying with laws and regulations is a prerequisite for our 'license to operate'. We create shared value and a positive impact for our stakeholders by complying with said laws and regulations, for example laws that aim at preventing money laundering (*Wwft*), and guidelines that live up to our duty of care for our customer (Know Your Customer), see Section Customer interests for more information on preventing money laundering and Section 2.5.1 Other material topics for information on Know Your Customer.

Potential negative impacts due to non-compliance with laws and regulations are, for example, scams, money laundering, financing of terrorism, data breaches and hacking. By complying with the relevant laws and regulations we avoid these negative impacts. We are also exposed to potential negative impacts through our business relationships, for example if our suppliers or counterparties do not comply with national and international laws and regulations.

MANAGEMENT OF THE IMPACT

De Volksbank's Compliance Function continuously monitors compliance levels with regulatory internal policies. With the help of tools, such as regulatory technology and new privacy tooling, we aim to manage our potential negative impact by ensuring improved identification and management of compliance risks. We take all reasonable measures to prevent the bank and/or the financial system in general from being misused for money laundering and the financing of terrorism.

In addition, we developed a Risk Management Policy Compliance Risk which describes the risk management framework for compliance risks. Compliance risk can be divided into three sub integrity risks, i.e. business integrity risk, conduct integrity risk and client integrity risk. To minimise compliance risks, these sub risk types each have their own risk policies. There are internal key risk indicators - also for each sub integrity risk - to track our effectiveness and monitor compliance risks.

De Volksbank strives to achieve the desired corporate culture, attitude and conduct. By disclosing how we comply with laws and regulations, we make sure that both our customers and society are up to date on this topic. We also organise awareness sessions about new laws and regulations and our compliance and risk culture for our employees. At our General Meeting of Shareholders there is continuous attention for compliance. On certain anti-money laundering-related topics, we continue to collaborate with major banks and public parties, the Financial Intelligence Unit and the national police. We also continue to participate in Transaction Monitoring Netherlands (TMNL). Read more on compliance with laws and regulations in Sections 4.5 Operational (non-financial) risks and 1.1.2 Regulatory environment.

2.4.8 Social engagement, cooperation and entrepreneurship

MT8

We strive for close social cooperation with a broad group of stakeholders and include their input where possible. We do this by being involved at a regional, national and international level. For example, we support entrepreneurship, accessibility of the housing market and quality of life in communities.

OUTSIDE-IN IMPACT

The risk type associated with this material topic is business risk. Failure to satisfactorily meet the expectations of our stakeholders with regard to social engagement, cooperation and entrepreneurship may negatively affect our customer relationships, which may in turn negatively affect our business. Based on an internal strategic risk analysis we determined this material topic does not have a high material risk.

INSIDE-OUT IMPACT

De Volksbank is committed to achieving a substantial and measurable positive impact on society. For example, by improving quality of life in communities, making the housing market more accessible and giving attention to equal growth opportunities for everyone. We do this by means of branch offices and shops in regional areas and by promoting entrepreneurship in small communities.

We have not identified any material negative impacts on the environment, economy or people specifically through our own activities or business relations. This excludes the impacts (positive and negative) human activities in general have on the environment, economy or people, as growth and human activities are intertwined with having impact. As mentioned above, we have not identified any material impacts on this topic in that respect.

MANAGEMENT OF THE IMPACT

There are several KPIs in place to manage our positive impacts. To monitor the accessibility of the housing market in the Netherlands, we launched the Housing Accessibility Monitor. KPIs are also being developed for quality of life in the region and attention to equal growth opportunities for everyone. Read more about the progress on these themes in Section 1.3 Our strategic progress and in our Annual Review Section 3.2.2 Inclusive Society.

De Volksbank has strict sustainability criteria for investments to make a positive contribution to society and to minimise our negative impact. We continuously assess if investments still meet our sustainability criteria. As we update these criteria on a regular basis, this may lead to the termination of specific loans or investments in our investment universe or portfolio. Read more about our policies and commitments in Section 2.2.4 Strategy, policy and practices.

In addition, we engage with different stakeholders. These stakeholders consist of customers, advisers, collaborative partners, businesses, networks and society as a whole. Read more about how we engage with stakeholders and examples of topics, stakeholder expectations and activities in Section 2.2.5 Stakeholder engagement.

2.5 Other ESG-related disclosures

2.5.1 Other material topics

COUNTERING CYBER AND FINANCIAL CRIME

MT9

With the rapid digitalisation, cyber and financial crime unfortunately remains a fact of life. Criminals are increasingly sophisticated in their operations. We see cybercrime moving more from the banking environment to the customer environment. In doing so, criminals are increasingly persuading customers to enter into a transaction and approve it themselves. The fight against financial crime also continues. We ourselves monitor payment transactions that may indicate money laundering and terrorist financing. Our role as gatekeeper of the financial system remains as important as ever. We also continuously improve our fraud detection systems. At the same time, we are seeing more and more reports of bank helpdesk fraud, boiler room fraud, phishing and help request scam via WhatsApp. We note an increase in identity fraud and a doubling in the number of dating fraud cases compared to 2021. In 2022, we saw an average of 155 reported fraud cases involving payment transactions per week, a decrease in comparison with the previous year.

Resilient customers

To make our customers digitally resilient, we raise awareness of cybercrime *and* teach them to recognise fraud and scams. In 2021, for instance, we launched the online training course 'Safe Banking - Do You Recognise the Scammer?' In this film-based training course, customers experience the ways in which scammers can approach them. In 2022, we took the next step by making the training available not only to our customers, but to everyone who banks online. Furthermore, every newsletter of SNS and RegioBank features a blog with tips against fraud.

Our employees are our human firewall

Employees and customers alike contribute to safe banking; they form the first line of defence. We do not consider people to be the weakest link, we regard them as an essential part of our security. For that reason we developed the training entitled Human Firewall, in which more and more employees participate actively. Realistic and tailor-made situations teach us how to recognise cybercrime and scams, and more importantly, how to act quickly and effectively. We thus create a strong security chain together.

Appropriate measures against fraud and scams

If customers - despite all efforts - fall victim to cybercrime, we take measures to mitigate the damage and provide aftercare to restore trust in digital banking. As far as phishing is concerned, we have optimised our monitoring and detection in 2022, significantly reducing this form of fraud. De Volksbank has joined forces with other (financial) institutions and public partners to ensure that scamming does not pay. For instance, we have made the case to politicians for necessary legislation on information exchange. Furthermore, together with the Ministry of Justice and Security and other parties in the market, we investigate how we can further reduce online crime together. We also contributed to the new 'Safe Banking' campaign of the Dutch Banking Association, which was launched in October 2022.

Know your customer

As one of the gatekeepers of the financial system, de Volksbank helps detect and prevent financial crime by taking a holistic approach to customer integrity in relation to anti-money laundering, countering the financing of terrorism and compliance through sanctions and tax regulations.

As a financial institution, we are required to have a clear picture of our customers, for instance under the Money Laundering and Terrorist Financing (Prevention) Act (*Wwft*). As part of the Know Your Customer principle, we check customer data and establish the identity of our customers. In addition, we are required to conduct ongoing monitoring of customers and transactions carried out during the term of the relationship. This legal obligation to prevent involvement in financial-economic crime, such as money laundering and terrorist financing, also extends to the identification of tax integrity risks among customers.

INTEGRITY AND ETHICS

MT10

Ethics Office

De Volksbank's mission 'Banking with a human touch' also includes the ethical consideration of various forms of decision making. To this end, we have set up an Ethics Office to properly weigh up conflicting ethical values. We base our considerations on a vision document that contains our standards and values for the use of data and Artificial Intelligence (AI). In 2022, we further explored the topic of 'Explainability' with the help of external expertise. For some time now, we have been paying more attention to the use of AI models. Therefore, ethical assessment of these models has become a regular part of de Volksbank's development cycle.

The Ethics Office plays an important role not only in raising awareness of ethical risks, but also as a facilitator for our Ethics Sounding Board Group. The sounding board group consists of a diverse group of colleagues who can shed light on ethical dilemmas we are facing, and can suggest possible mitigating measures. Ethics Office experts examine if it is possible to use the tools and techniques developed for AI on a wider scale. Apart from AI-related issues, the Ethics Office is therefore also involved in other ethical issues, for instance when launching a new product. In 2022, the Ethics Office was formally placed under the Compliance Centre of Expertise. From this new position, the Ethics Office is also involved in tightening various policies on ethical behaviour, in other words, integrity.

Ethical leadership

There is a demonstrable positive correlation between an ethical 'tone at the top' and the ethical actions of employees within an organisation. Therefore, the Ethics Office, together with HR, is also developing a programme on 'Ethical Leadership'. As part of this, the Ethics Office started setting up an Ethics Committee in 2022.

Anti-corruption and bribery

An important condition for de Volksbank to properly implement its strategy and its shared value ambition is that de Volksbank, its employees, collaboration partners and customers are not involved in corruption and bribery. Corruption creates unfair competition in the economy, distorts public trust and damages de Volksbank's integrity. To prevent us and our customers from becoming involved in corruption, we take measures that apply to various policies, such as our customer acceptance policy, procurement policy, outsourcing policy and pre-employment screening policy. All listed companies we invest in or have a business relationship with as well as government bonds are screened for anti-corruption. We have drawn up a code of conduct, entitled 'Common Sense, Clear Conscience', which is signed by all employees. Furthermore, all employees have taken an oath or made a solemn affirmation, promising they will comply with laws and regulations and codes and rules of conduct related to their profession, and how to behave ethically. This is one of the ways in which we aim to minimise the risk of physical, financial or reputational damage to de Volksbank, its customers and/or other business relations. We adequately deal with every sign of corruption with and follow this up with an appropriate response. Our anti-corruption policy describes the management measures taken by de Volksbank to prevent the bank and/or its employees and customers from engaging in corruption. Our compliance-related policies are available on our website. For more details on the risks associated with the aforementioned topics and the way we conduct our risk management, see Section 4. Risk management of this report.

We currently have no specific KPIs on corruption. We do, however, monitor two elements related to behaviour, namely the bankers' oath and the code of conduct. The bankers' oath has been signed by 99.925% of our employees within 3 months of commencing employment. Every year, the code of conduct is brought to the attention of our employees, at which time they have to re-sign it. In 2022, 97.8% of our employees did so. Although we normally also conduct an annual training on the code of conduct, this year we did not because it was rewritten and a new training had to be developed. We also offer internal e-learnings on ethical dilemmas and regularly address ethical issues and how to deal with them. All Employee Integrity (Compliance) staff has been trained to facilitate sessions on ethical dilemmas.

To better understand our organisational culture, we conducted a survey on the culture of integrity within the organisation in 2022. The objective of this measurement is to give depth to our understanding of the day-to-day work environment and how our organisational culture is supporting employees to act with integrity. These insights give us guidance as to how to prevent potentially undesired behaviour and manage behavioural risks. This year's baseline measurement consisted of a questionnaire, followed by discussions with the teams to enhance the results, resulting in a first impression of the organisational culture in relation to ethical behaviour. The first follow-up measurement is planned for 2023. This is how de Volksbank manages its behavioural risks, i.e. this is how the bank identifies and analyses behavioural risks. This survey revealed that employees were particularly positive about the motivation to achieve team objectives with integrity, about the intrinsic motivation to comply with the rules of conduct and about treating each other respectfully within the teams. Employees were least positive on the topics of enforcement and transparency. For example, they felt that the measure taken in cases of non-ethical behaviour were not always consistent, and that it is not always clear what others are doing.

The material topics of corporate governance and compliance with laws and regulations are inextricably linked to this topic. These material topics and the related indicators are listed in the table in Section 2.3.3 Management of material topics. Responsible tax policies and remuneration are an important part of integrity and ethics. Read more on these topics in Sections 3.4 Remuneration Report and Responsible tax policy.

GENUINE ATTENTION FOR OUR EMPLOYEES

MT11

Every six months, we monitor the shared-value related key performance indicators (KPIs) for employees: genuine attention and commitment and engagement. For more information about the progress of these KPIs, see Section 1.3.5 Our strategic objectives.

Employee vitality and safety

At de Volksbank, every employee should have a safe and healthy work environment. That is why we organise the working conditions as best as we can, with the help of our employees. They were, for example, asked to contribute ideas on how to improve working conditions at the bank in round-table discussions with the occupational health and safety service.

In 2022, nearly a third of our employees took the health test offered by de Volksbank every three years. This preventive medical examination consists of a questionnaire, a physical examination and a discussion of the results with a vitality adviser, giving them guidance as to what steps they can take to be as fit as possible.

In the past year, the absenteeism rate was 5.1% (2021: 4.2%). The causes of this increase were mainly related to Covid-19.

We are aware that there are certain employee-related risks, such as not being able to fill vacancies. For more information on People risk, see Section 4.5 Operational (non-financial) risks. The current collective labour agreement (CLA) for 2022-2023 contains new arrangements to improve work-life balance. In addition, we have developed a vision on a 'New Way of Working 2.0', allowing employees to organise their work in such a way that works best for them and their team.

After almost two years of largely working from home, more space for employees to meet and work together in the office came again from March 2022. Activity-based and place and time-independent working is the norm. We started working according to these principles:

- Teamwork: the purpose of a team is result-oriented collaboration. Team members jointly decide together where they work and when they meet.
- Autonomy: as regards the number of days worked in the office or at home, de Volksbank imposes no restrictions and gives employees no guidance, so there are no more fixed office or work from home days.
- Vitality: employees pay attention to their mental and physical well-being - and that of their colleagues, tailoring their workday schedule to their vitality and discussing this with colleagues if necessary. This movement coincides with our (agile) way of working.

To provide a safe place to work, we have a code of conduct entitled 'Common Sense, Clear Conscience', which sets out how we treat each other and customers. In 2021 employees were required to follow an e-learning on this code of conduct. Moreover, de Volksbank has appointed an Confidential Adviser at various locations throughout the country. Furthermore, complaints in relation to bullying, sexual harassment, discrimination, aggression or violence at work are dealt with by the Committee for Unacceptable Behaviour. In this regard, employees may also engage in mediation through a counsellor.

Learning and personal development

De Volksbank values employee development. We therefore reimburse necessary training courses and team development activities, which may also be taken and carried out during working hours. In addition, every employee (including part-timers) receives an annual personal development budget in the amount of € 750 (accrued up to a maximum of € 2,250), which may be used for their sustainable employability.

Investments in employee training and development amounted to € 6.1 million in 2022 (2021: € 7.1 million), or € 1,943 per employee (2021: € 2,246). We do not record the number of hours employees spend on training and development. We encourage employees by making the learning and development platform to book training courses and to acquire new knowledge and skills readily available (usually free of charge). For example, through the summer and winter schools of de Volksbank Academy, employees were given weekly learning tips on topics as diverse as customer orientation and personal effectiveness. Over 2,500 employees made use of this opportunity.

As de Volksbank, we are in the middle of the movement towards a learning organisation in which developing skills is key. Not just alongside work, but especially during work. Teams map out their development needs and work on them in a targeted way. In addition, employee development is part of the team dialogues. This enables us to respond more quickly to changes in our environment and to the changing needs of our customers.

New agile organisation

On 1 March 2022, de Volksbank launched a new way of working according to the Agile principles, through which we aim to become more agile and customer-oriented. The entire agile transition process will take two to three years. One uniform way of working, entitled 'de Volksbank's collaboration model', applies to everyone. In this collaboration model employees work according to both the Scrum and Lean approach. Independent teams form the core of the organisation, which is set up in Hubs and Centres of Expertise. The latter are responsible for policy making, frameworks and standards: the 'how'. They ensure that employees with the right knowledge and skills are available for the Hubs. Hubs realise the strategic objectives: the 'what'. With the transformation and the new way of working, we call on different behaviour from employees. Part of our staff started in new teams on 1 March. Employees who were made redundant were assisted in finding other work, within or outside the bank.

Unacceptable behaviour

We treat each other and others with respect, i.e. open and equal, with a human touch and with an eye and appreciation for others. Regardless of nationality, culture, religion, gender, age and health. So without discrimination, bullying or any form of prejudice. At de Volksbank, we do everything we can to prevent boundary violations. With support tools for employees and managers, such as the Code of Conduct, workshops and dilemma sessions, we encourage a culture in which it is normal to call each other to account for behaviour. Unfortunately, unacceptable behaviour does occur. In 2022, we therefore gave employees extra information about where to go if they do not feel safe. Besides going to their manager or a colleague, employees can go to an external confidential counsellor. Should the boundary violation lead to a complaint, an employee can turn to the Committee for Unacceptable Behaviour.

RESPONSIBLE RISK MANAGEMENT

MT12

We opt for low-risk business activities and avoid aggressive risk-return strategies. See Section 4. Risk management for more information on this material topic, including information on our risk management structure and sustainability risk.

FINANCIAL HEALTH AND INCLUSION

MT13

We aim for all Dutch citizens to enjoy financial wellbeing so they can live comfortably and pleasantly. As a bank, we can make direct social impact by helping customers and non-customers alike with their financial health and by standing up for financial inclusion. To match words with deeds, we signed the Commitment to Financial Health and Inclusion at the end of 2021. This initiative is part of the Principles for Responsible Banking and by signing, we pledge to use our employees, products, services and relationships to promote universal, financial inclusion.

Financial education

It is important to teach children at an early age to handle money well. Sufficient financial knowledge gives them a solid basis to make the right choices thus preventing money problems later in life. Financial education is not a standard part of schools' curriculum. That is why, in 2013, de Volksbank started providing free *Eurowijs* (Euro wise) teaching materials. And ever since the start, our employees have been giving guest lectures in schools. In addition, our brands provide financial education about safe banking, both in person and in (online) workshops. We do this for people of all ages. By 2022, we will have reached 250,500 pupils with *Eurowijs* teaching materials, compared to 213,449 pupils in 2021.

Financial care

Our 'Financial peace of mind' team helps customers who are experiencing financial worries. This is how we live up to our ambition to help customers make decisions about their sustainable financial future in a personal way. In 2022, we were thus able to help 70 people who experienced financial stress.

Accessible services

We strive for open and sincere contact with our customers, regardless of time or channel. Our four brands each interact with their customers in their own way, thus complementing each other perfectly. ASN Bank operates an Internet-only model and communicates intensively and mainly online. In addition, the ASN Mortgage is offered via SNS Shops. BLG Wonen works together with independent advisers across the country and also offers the SNS Business mortgage through them. In turn, SNS and RegioBank have a strong local presence through independent advisers, with RegioBank specifically focussing on small towns and villages up to 20,000 inhabitants. While SNS works partly with franchisees and partly with its own shops, RegioBank operates exclusively with a franchise formula. Together, our brands thus have national coverage and there is always a branch nearby where customers can walk in for help or advice, thus making a strong case for financial health and inclusion, for young and old, for now and later. And this is appreciated by our customers: in a survey by the Consumers' Association, RegioBank emerged as the best bank in the Netherlands in 2022 for the sixth year in a row. SNS and ASN Bank too, finished in the top 3. We set high standards for the availability of services such as debit card payments, iDeal and online and mobile banking. In 2022, the online payment services of SNS, ASN Bank and RegioBank were available more than 99.77% of the time.

DIGITALISATION AND INNOVATION

MT14

The acceleration of digitalisation, which was given a strong boost by the Covid-19 pandemic, has resulted in a wide range of digital products and services for retail and SME customers, of which customers have increasingly higher expectations. Especially for the younger generations, a good, personalised digital banking environment is essential. Naturally, de Volksbank is committed to a simple and reliable online environment. We invest in digitalisation, in line with our chosen strategy for the coming years. This allows us to strengthen our relationship with customers in a growing online world. A large part of customer contact is digital and we want to keep that contact accessible, personal, preserving a human touch. That is why we like to offer a good mix of digital convenience and personal contact. At times that are relevant to customers. This year, we have taken some good steps in that direction. For instance, the process of becoming a customer of our brands, or applying for a combination of new products, is now a lot easier and faster thanks to improvements in our digital application processes. We have also made service processes that were previously only available online to our advisers. This allows them to serve customers faster and easier. After all, this reduces paperwork and administrative work.

HUMAN RIGHTS

MT15

Human rights are an important part of our sustainability policy. So we look where our investments pose human rights risks and take action to mitigate them.

European Citizens' Initiative

The campaign entitled Good Clothes, Fair Pay was launched in July 2022. This campaign is part of a European Citizens' Initiative launched by ASN Bank in 2021 in cooperation with the Fair Wear Foundation and Fashion Revolution. The goal: collect 1 million signatures in one year to enforce legislation around living wages in the global garment, textile and footwear industry. The legislative proposal advocated by this initiative contains concrete measures for all garment, footwear and textile companies looking to sell their products in the European Union. The proposal was registered with the European Commission in the second quarter of 2022.

Uyghur forced labour in solar panels

In 2021, alarming reports appeared of serious human rights violations China's region of Xinjiang. Almost all major solar panel manufacturers who also sell their products in the Netherlands, work with suppliers from that region. This makes the solar energy industry vulnerable to forced labour. Needless to say that de Volksbank wants to avoid (co) financing solar panels and other components and raw materials required for production in any way. As ASN Bank and ASN Impact Investors finance renewable energy projects and companies, and we also offer solar panels through the online Home Improvement platform, we investigated possible abuses. This investigation resulted in a list of approved suppliers where our customers purchase solar panels that we finance. The same applies for the Home Improvement platform; its installation partners exclusively work with solar panels approved by us. We continued this investigation in 2022.

Salient human rights risk analysis

In order to keep up to date with developments in the world as well as within our own organisation we started with a new salient human rights risk analysis in the last quarter of 2022. The goal of this analysis was to find out how our activities could be linked to human rights risks in international value chains to which we are connected. In conducting this analysis, we follow the United Nations Guiding Principles for Business and Human Rights. At the moment of publication of this report, the results of the analysis are not yet known. Based on the outcomes we will define our human rights priorities for 2023 and beyond.

Our previous salient human rights risk analysis of 2018 identified the following five most salient issues:

1. **a living wage in the garment industry**
2. **a living wage in the agri-food industry**
3. **workplace health and safety in the garment industry**
4. **consumer protection in the pharmaceutical industry**
5. **clinical trials in the pharmaceutical industry**

1 & 2. A living wage is a human right that enables workers to afford basic needs such as food. Our exposure to companies in the agri-food market is smaller than to garment companies. In order to maximise the effectiveness of our engagement, we decided to focus on living wage in the garment industry. We have developed a KPI for the human rights pillar of our sustainability policy, the KPI Living wage: all the 15 listed brands we invest in will need to have processes in place by 2030 to enable the payment of a living wage to the workers that make the clothes. That is why we founded the Platform Living Wage Financials (PLWF) in 2018, together with MN and Triodos Investment Management. As in previous years, we assessed the garment companies in our investment portfolio. This annual assessments of investee companies on living wage and living income shows that even though some companies made progress, the overall progress on the topic of living wage and living income remains slow. In 2030 we want all 15 brands in our universe to score in the category Leaders. In October 2022 the latest results were published in the Platform Living Wage Financials Annual Report.

3. Workplace health and safety is a critical issue in the garment industry, and is part of our companies' analyses and the investment portfolio decision-making process. Together with our PLWF partners, we engage with garment companies to express our concerns and push for measures that would not only protect workers on the work floor, but that would also support workers financially if necessary.

4 & 5. Even though the pharmaceutical companies we invest in have sound policies in place, we have engaged with them since 2015 as they were frequently involved in controversies on customer safety-related issues. The Covid-19 pandemic continued to influence our engagement with pharmaceutical companies in 2022. Through a joint initiative of 65 institutional investors we are calling on Covid-19 vaccine manufacturers to quickly increase the availability and deployment of vaccinations around the world.

For more information on our policies and commitments regarding human rights, see Section 2.2.4 Strategy, policies and practices

CORPORATE GOVERANCE

MT16

We want to organise the bank in a structured and ethical way that fits our vision. See Section 3. Governance for more on this material topic, for example for information on our remuneration or legal structure.

DIVERSITY AND INCLUSION

MT17

Feeling at home at de Volksbank

Our goal is for everyone to feel at home at de Volksbank. It is therefore imperative that we offer employees a diverse and inclusive working environment. Besides, more diversity brings different insights, qualities and backgrounds. To increase diversity and inclusion, we have taken several steps. For instance, we now have a more objective recruitment and selection process, a people-oriented leadership style and an ever-improving gender balance. Our employee survey on inclusion shows that 82% of employees feel at home at de Volksbank (2021: 85%), slightly higher than our goal of more than 80%.

Throughout the year, we regularly draw attention to diversity and inclusion (D&I). We share stories, offer e-learnings, organise dialogue sessions on dilemmas and facilitate teams to engage in conversations about diversity and how colleagues interact. We also set up the D&I Community to share knowledge and experiences with each other within de Volksbank. By the end of 2022, employees were able to have their say on a more progressive D&I policy during roundtable discussions.

Diversity in gender

In the Fair Bank Guide's Gender practice survey, de Volksbank scored best of all banks on gender equality.

A focus in 2022 was more balanced representation in senior management. In the course of 2022, we made up a significant amount of ground. In the Supervisory Board, 40% are women and in the Executive Committee (ExCo) 43%. The challenge now is to ensure that of all leadership positions at least 40% are women. We are well on the way with this too; by the end of 2022, this was 39% (2021: 36%), our goal for 2022 was 37%. To achieve this, we make arrangements for this when vacancies arise and appointments are made. De Volksbank employs 54% men and 46% women.

De Volksbank pays men and women the same in equal situations; we aim for the pay gap, adjusted for pay scale and age, to be between -0.5 and 0.5%. In 2021, this pay gap (the gender pay gap) was minimal: 0.04% in favour of men. The gender pay gap was not examined in 2022; it will be examined again in 2023. A table containing numbers on gender balance can be found in Section 2.2.2 Our activities and employees.

Diversity and cultural background

Cultural diversity is but one of the facets of the broad diversity that we consider important as a bank. De Volksbank, therefore, participated in the Statistics Netherlands (*CBS*) Cultural Barometer for the first time in 2022. By doing so, we aim to gain more insight into the cultural diversity of our organisation. This stimulates conversation, creates more awareness and provides direction for follow-up actions. The results of the Cultural Barometer showed that de Volksbank's workforce is a good reflection of the Dutch labour market and the financial services sector. Our customer contact employees are a good reflection of the group of (potential) customers. Several of de Volksbank's colleagues are part of the Agora Network's cross-mentoring programme as a mentor or mentee. Within this network, various organisations work together to create a more diverse and inclusive culture and promote the inflow, advancement and retention of multicultural talent.

Work ability diversity

In 2022, we launched the Work Ability Desk to enhance the work ability of people who are struggling in the labour market. Initially, we focus on providing people with a disability with sustainable employment. Through the Work Ability Desk, we aim to offer equal opportunities to people with workplace disabilities at de Volksbank. The desk facilitates, coordinates and supports everyone at de Volksbank who wants to work on this theme. For instance, inspiration sessions are organised in which employees with a disability share their stories with the aim of combating prejudices and assumptions, thinking in terms of possibilities and looking precisely at the talent of people with a disability. In 2022, this resulted in seven new colleagues with a distance to the labour market being hired by de Volksbank.

Skill diversity

Each employee has a unique set of skills, knowledge and experience. In every team, this diversity comes together. In 2022, several teams set to work to identify what skills their particular team needs to achieve their goals. By then determining per team member to what extent these skills are already present, the teams gained insight into the team's diversity. This knowledge is used to develop individual and team skills.

BIODIVERSITY AND NATURAL RESOURCES

MT18

Besides land-use change, overexploitation and pollution, climate change is one of the main threats to nature and biodiversity. While we need that very same biodiversity to combat climate change. Forests, peatlands, soils and oceans play an important role in carbon absorption. In addition, biodiversity is indispensable for humans; for instance, it provides us with food, clean water, clean air and natural substances for the development of many medicines.

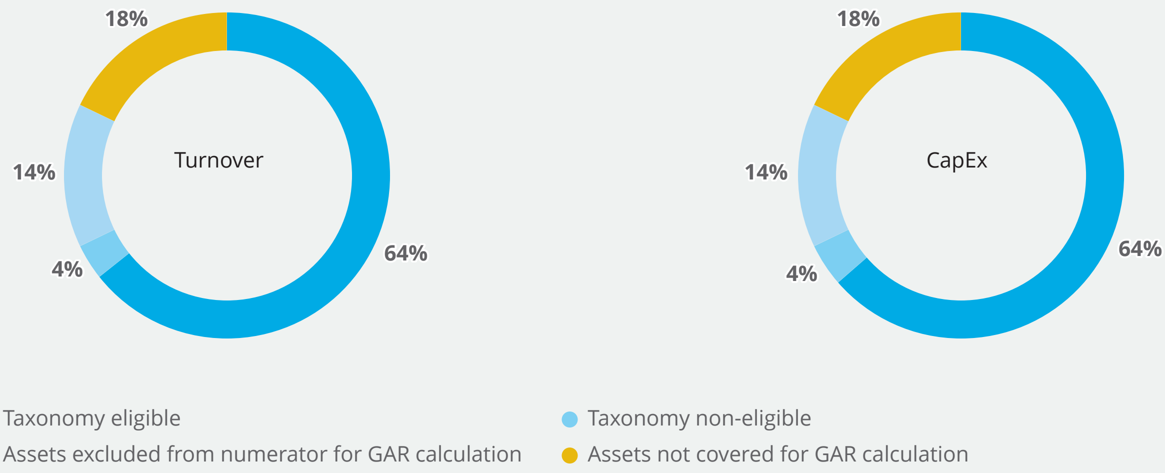
Our offices have a relatively small impact on biodiversity compared to the impact of our investments and loans to projects, countries and corporates. We want to prevent further biodiversity loss as much as possible and contribute to biodiversity restoration. Therefore, we want our investments and loans to have more positive than negative impact on biodiversity by 2030, in other words: a net positive impact. We want to achieve this by reducing our negative impact on biodiversity and increasing our positive impact by investing in nature development and restoration, renewable energy and the circular economy. Although we are currently still working on the further development of de Volksbank's net positive goal, we have already included an initial result in the Social Impact Framework in our Annual Review 2022.

ASN Biodiversity Fund for investing in nature protection and restoration

ASN Bank launched the ASN Biodiversity Fund in November 2021. It is the first fund in Europe that invests in projects contributing to biodiversity protection and restoration and is accessible to retail customers. The fund focusses on four sectors, i.e. sustainable forestry, (forest) agriculture, sustainable seas and fisheries and ecotourism. For example, the fund invests in a company that uses innovative technologies to make fish farming sustainable. We will measure the impact on biodiversity protection and restoration in hectares of protected and restored areas on land and in the sea. In 2022, ASN Bank further intensified its efforts in the field of biodiversity, being the first financial institution to sign the Biodiversity Covenant of the North Sea Foundation and the Nature & Environment organisation. By doing so, ASN Bank shows that investors in wind farm can impose more stringent requirements for nature-inclusive construction. The bank actively advocates a sustainable North Sea in which the generation of wind energy goes hand in hand with the protection and enhancement of nature as much as possible. The Partnership for Biodiversity Accounting Financials (PBAF), initiated by ASN Bank, welcomed its 40th participant and presented a standard for financial institutions to measure the impact of loans and investments on nature. In November 2022, ASN Bank published the report 'Make Nature Count'. This report is about the monetary value of nature and how to include this in (financial) decision-making. For more information on our biodiversity policies and commitments such as PBAF, see Section 2.2.4 Strategy, policies and practices.

2.5.2 EU Taxonomy

EU taxonomy eligibility[1]



1 % coverage over total assets in gross carrying amount, based on the turnover and capital expenditure (CapEx) of our counterparty.

This is the second year that de Volksbank reports on the EU Taxonomy Regulation under the NFRD disclosure obligation. The regulation helps us identify whether economic activities that we finance or invest in may be considered environmentally sustainable and helps us prepare transparent and comparable reports.

The regulation comprises six sustainability objectives:
1. Climate change mitigation;
2. Climate change adaptation;
3. Sustainable use and protection of water and marine resources;
4. Transition to a circular economy;
5. Pollution prevention and control;
6. Protection and restoration of biodiversity and healthy ecosystems.

To date, the EU Taxonomy Regulation has established criteria for the first two objectives; criteria for the other objectives will be published in the near future. This being the case, we could only assess our assets on the basis of climate change mitigation and climate change adaptation.

Mandatory EU taxonomy table

		a	b		g		i		i	
		Total gross carrying amount	Climate Change Mitigation (CCM) of which Taxonomy-eligible		Climate Change Adaptation (CCA) of which Taxonomy-eligible		CCM and CCA of which Taxonomy-eligible[1]		Total CCM and CCA of which Taxonomy-eligible	
	In € millions		Turnover	CapEx	Turnover	CapEx	Turnover	CapEx	Turnover	CapEx
1	**GAR - Covered assets in both numerator and denominator**	**49,764**	**46,875**	**46,551**	**8**	**8**	**276**	**78**	**47,159**	**46,637**
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	49,764	46,875	46,551	8	8	276	78	47,159	46,637
3	**Financial corporations**	2,166	427	99	-	-	211	-	638	99
4	Credit institutions	2,003	374	59	-	-	209	-	583	59
5	*Loans and advances*[2]	1,543	257	-	-	-	209	-	466	-
6	*Debt securities, including UoP*[3]	459	117	59	-	-	-	-	117	59
7	*Equity instruments*	-	-	-	-	-	-	-	-	-
8	Other financial corporations[3]	163	53	40	-	-	2	-	55	40
21	**Non-financial corporations**	393	100	104	8	8	65	78	173	190
22	NFCs subject to NFRD disclosure obligations	393	100	104	8	8	65	78	173	190
23	*Loans and advances*	-	-	-	-	-	-	-	-	-
24	*Debt securities, including UoP*[3]	393	100	104	8	8	65	78	173	190
25	*Equity instruments*	-	-	-	-	-	-	-	-	-
26	**Households**[4]	47,076	46,348	46,348	-	-	-	-	46,348	46,348
27	*of which loans collateralised by residential immovable property*	46,338	46,338	46,338	-	-	-	-	46,338	46,338
28	*of which building renovation loans*	6	6	6	-	-	-	-	6	6
29	*of which motor vehicle loans*	4	4	4	-	-	-	-	4	4
30	**Local governments financing**	-	-	-	-	-	-	-	-	-
31	Collateral obtained by taking possession: residential and commercial immovable properties	-	-	-	-	-	-	-	-	-
32	Other local government financing[5]	129	-	-	-	-	-	-	-	-

1 Some counterparties did not specify whether its activities are CCM or CCA Taxonomy eligible, therefore we included this extra column.

2 Included in the line item Loans and advances to banks in the IFRS balance sheet.

3 Included in the line item Investments in the IFRS balance sheet.

4 Included in the line item Loans and advances to customers (€ 46,916 million) and Other assets (€ 161 million) in the IFRS balance sheet.

5 Included in the line item Loans and advances to customers in the IFRS balance sheet.

Mandatory EU taxonomy table

		a	b		g		i		i	
			Climate Change Mitigation (CCM) of which Taxonomy-eligible		Climate Change Adaptation (CCA) of which Taxonomy-eligible		CCM and CCA of which Taxonomy-eligible[1]		Total CCM and CCA of which Taxonomy-eligible	
	In € millions	Total gross carrying amount	Turnover	CapEx	Turnover	CapEx	Turnover	CapEx	Turnover	CapEx
33	**Other assets excluded from the numerator for GAR calculation (covered in the denominator)**	**10,461**	-	-	-	-	-	-	-	-
34	**Non-financial corporations**	1,640								
35	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	1,591								
36	*Loans and advances*[2]	1,525								
37	*- of which loans collateralised by commercial immovable property*	466								
39	*Debt securities*[3]	63								
40	*Equity instruments*[3]	3								
41	Non-EU country counterparties not subject to NFRD disclosure obligations	49								
42	*Loans and advances*[2]	31								
43	*Debt securities*[3]	18								
44a	**Financial corporations not subject to NFRD disclosure obligations**[4]	5,673								
45	**Derivatives**[5]	2,892								
46	**On demand interbank loans**[6]	80								
47	**Cash and cash-related assets**[6]	24								
48	**Other assets (e.g. Goodwill, commodities etc.)**[7]	152								
49	**Total GAR assets**	**60,224**	**46,874**	**46,551**	**8**	**8**	**276**	**78**	**47,158**	**46,637**
50	**Other assets not covered for GAR calculation**	13,097								
51	Sovereigns[8]	4,353								
52	Central banks exposure[9]	8,309								
53	Trading book[10]	435								
54	**Total assets**	**73,321**	**46,874**	**46,551**	**8**	**8**	**276**	**78**	**47,158**	**46,637**
	Off-balance sheet exposures - Corporates subject to NFRD disclosure obligations									
55	Financial guarantees	-	-	-	-	-	-	-	-	-
56	Assets under management	-	-	-	-	-	-	-	-	-

1 Some counterparties did not specify whether its activities are CCM or CCA Taxonomy eligible, therefore we included this extra column.
2 Included in the line item Loans and advances to customers in the IFRS balance sheet.
3 Included in the line item Investments in the IFRS balance sheet.
4 Included in the line items Investments (€ 491 million), Loans and advances to banks (€ 4,944 million) and Loans and advances to customers (€ 239 million) in the IFRS balance sheet.
5 Included in the line item Derivatives in the IFRS balance sheet.
6 Included in the line item Cash and cash equivalents in the IFRS balance sheet.
7 Included in the line items Property, equipment and intangible assets (€ 85 million) and Tax assets and liabillities (€ 67 million) in the IFRS balance sheet.
8 Included in the line items Investments (€ 3,983 million), Loans and advances to customers (€ 334 million) and Other assets (€ 36 million) in the IFRS balance sheet.
9 Included in the line item Cash and cash equivalents in the IFRS balance sheet (€ 7,907 million). An amount of € 402 million is related to the demand deposits at the Dutch Central Bank included in the line item Loans and advances to banks in the IFRS balance sheet.
10 Included in the line items Derivatives (€ 410 million) and Investments (€ 25 million) in the IFRS balance sheet.

QUALITATIVE INFORMATION

Contextual information

The table above is based on the exposures of de Volksbank within the prudential scope of consolidation, which is the same scope that we use for this Integrated Annual Report. The total covered assets in the denominator of the Green Asset Ratio (GAR) covers all financial assets with the exception of exposures to central governments, central banks, supranational issuers and the trading book. The table above is based on the same gross carrying amount exposures used by us in the rest of this Integrated Annual Report.

We assess whether our counterparties are required to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU (NFRD) based on internal or publicly available information.

We determined the Taxonomy eligibility of our financial and non-financial counterparties using their published eligibility percentages in their 2021 annual reports or 2021 sustainability reports. In a very limited number of cases, we were unable to obtain information, as a result of which we assessed them as non-eligible.

Environmentally sustainable bonds are included up to the value of Taxonomy eligible economic activities that the proceeds of those bonds finance, based on information provided by the counterparty. Non-EU counterparties are included in this assessment.

To assess special purpose vehicles (SPVs), we use a look-through approach on a best effort basis. This implies that if a NFRD counterparty is a majority shareholder of the SPV, we used the eligibility of the majority shareholder.

All our retail mortgages collateralised by residential immovable property are eligible and form the largest part of the eligibility percentage. EU Taxonomy eligible exposure to non-financial corporations only relate to debt securities.

Description of our compliance

De Volksbank aims to designate as many exposures as possible to be in line with the EU Taxonomy in order to distinguish ourselves even more as a frontrunner in sustainability. It should be noted, however, that we consider our goal to be climate-neutral by 2030 and our own sustainability policies, with the exception of some policies such as nuclear and fossil fuel activities, to be leading. We expect the EU Taxonomy Regulation KPI scores will improve on the back of achieving our climate-neutrality goal, our Science Based Targets, Climate Action Plan goals and by pursuing our sustainability policies. For example, our taxonomy-aligned assets could increase by expanding our green bonds portfolio by pursuing our sustainability policies to meet our climate-neutrality goal. We will assess target setting on taxonomy alignment after our first taxonomy-aligned reporting period in 2023, which may serve as a baseline to set targets for the future and to track performance over time.

Furthermore, we will continue to engage with retail mortgage customers and project financing counterparties to encourage them to make their homes and projects more sustainable. Hence, it is our ambition to include EU Taxonomy considerations in the engagement with all our customers and counterparties where feasible and appropriate. In this light we are investigating how to integrate EU Taxonomy considerations in our Product Design Process.

Additional information on the financing of taxonomy-aligned economic activities

In 2017, de Volksbank adopted ASN Bank's sustainability policy. More information on this policy can be found in Section 2.2.4 Strategy, policies and practices. De Volksbank subsequently implemented this policy in the operations and processes of all its brands and aims to be a frontrunner in sustainability policies. These policies can be considered our own Taxonomy as they describe our Do No Significant Harm (DNSH) criteria and Minimum Social Safeguards (MSS) in detail. They also provide guidance on the type of activities that could have a positive impact on climate, biodiversity or human rights.

De Volksbank welcomes the EU Taxonomy and will embed it into its sustainability policy and strategy. It should be noted that our own sustainability policies are often more stringent and ambitious. As an example, de Volksbank categorically excludes investments in fossil fuel-related activities and nuclear activities. As such, our position may deviate from the EU Taxonomy as natural gas and nuclear exposures for instance may be considered 'green' (albeit transitionally) based on the latest taxonomy developments. De Volksbank actively opposed to this development through its lobbying activities. Furthermore, de Volksbank advocates more transparency on 'brown' activities that would force companies and financial institutions to disclose information on their fossil fuel-related or other carbon-intensive activities, for example through a 'brown' taxonomy.

VOLUNTARY TAXONOMY-ELIGIBILITY ASSESSMENT

Below we present a table showing our mandatory eligibility disclosures based on our IFRS consolidated balance sheet. As expected, most eligible exposure is related to the balance sheet items investments, loans and advances to banks and loans and advances to customers.

Voluntary EU taxonomy table (in € millions)

Based on IFRS balance sheet

Before result appropriation	Carrying amount	Impair-ments	Gross carrying amount	Taxonomy eligible: Climate change mitigation (CCM)	Taxonomy eligible: Climate change adaptation (CCA)	Taxonomy eligible: CCM and CCA[1]	Taxonomy eligible: Total CCM + CCA	Taxonomy non-eligible or excluded from the GAR calculation
Cash and cash equivalents	8,011	--	8,011	--	--	--	--	8,011
Derivatives	3,302	--	3,302	--	--	--	--	3,302
Investments	5,591	(7)	5,598	270	8	67	345	5,253
Loans and advances to banks	6,884	(5)	6,889	257	--	209	466	6,423
Loans and advances to customers	48,966	(154)	49,120	46,348	--	-	46,348	2,772
Tangible and intangible assets	85	--	85	--	--	--	--	85
Tax assets	67	--	67	--	--	--	--	67
Other assets	249	--	249	--	--	--	--	249
Total assets	**73,155**	**(166)**	**73,321**	**46,875**	**8**	**276**	**47,159**	**26,162**

1 Some counterparties did not specify whether its activities are CCM or CCA Taxonomy eligible, therefore we included this extra column.

The EU Taxonomy is primarily based on exposures to retail customers and large NFRD counterparties. However, the business model of de Volksbank focusses on retail customers and SME customers. The latter may be active in economic activities mentioned in Annex I and/or Annex II of the EU Taxonomy, and therefore could be considered eligible. For example, the project financing portfolio in renewable energy is eligible, but because our counterparties in that portfolio are non-NFRD parties, we cannot include these in our mandatory disclosures. In addition, green or sustainable bonds that do not meet the EU Taxonomy criteria but are considered sustainable are also included. Supranationals with green or sustainable bonds are also included.

Voluntary EU taxonomy table (in € millions)

Based on IFRS balance sheet including other climate change mitigating actions that are not covered in the EU Taxonomy

Before result appropriation	Carrying amount	Impair-ments	Gross carrying amount	Taxonomy eligible: Climate change mitigation (CCM)	Taxonomy eligible: Climate change adaptation (CCA)	Taxonomy eligible: CCM and CCA[1]	Taxonomy eligible: Total CCM + CCA	Taxonomy non-eligible or excluded from the GAR calculation
Cash and cash equivalents	8,011	--	8,011	--	--	--	--	8,011
Derivatives	3,302	--	3,302	--	--	--	--	3,302
Investments	5,591	(7)	5,598	805	8	67	880	4,718
Loans and advances to banks	6,884	(5)	6,889	399	--	209	608	6,281
Loans and advances to customers	48,966	(154)	49,120	47,121	--	-	47,121	1,999
Tangible and intangible assets	85	--	85	--	--	--	--	85
Tax assets	67	--	67	--	--	--	--	67
Other assets	249	--	249	--	--	--	--	249
Total assets	**73,155**	**(166)**	**73,321**	**48,325**	**8**	**276**	**48,609**	**24,712**

1 Some counterparties did not specify whether its activities are CCM or CCA Taxonomy eligible, therefore we included this extra column.

2.5.3 Key environmental data of our own business operations

Category	Units	2022	2021	Change
ENERGY CONSUMPTION OF LARGE OFFICES AND OWN RETAIL NETWORK				
Green gas	GJ	-	-	-
Natural gas (grey)	GJ	3,667	7,441	-51%
District heating	GJ	23,396	8,177	186%
Generators	GJ	-	144	-100%
Green energy	GJ	15,934	16,230	-2%
Grey energy	GJ	-	-	-
Total energy consumption	**GJ**	**42,996**	**31,991**	**34%**
Energy consumption per FTE	GJ	13.63	9.89	38%
Energy consumption per m²	GJ	0.86	0.58	48%
SHARE OF GREEN ENERGY CONSUMPTION				
% green energy (electricity)	% of total	100%	100%	0%
% green energy consumption	% of total	37%	51%	-27%
CO_2E EMISSIONS[1]				
Heating	tonnes	242	456	-47%
Lease cars	tonnes	209	217	-4%
Scope 1	**tonnes**	**450**	**673**	**-33%**
Electricity (market based)	tonnes	-	-	-
Electricity (location based)	tonnes	2,208	2,786	-21%
District heating	tonnes	628	219	186%
Scope 2 - market based	**tonnes**	**628**	**219**	**186%**
Scope 2 - location based	**tonnes**	**2,836**	**3,005**	**-6%**
Flights	tonnes	9	1	1367%
Commuting	tonnes	542	352	54%
Business travel	tonnes	344	218	58%
Scope 3	**tonnes**	**895**	**571**	**57%**
CO_2e emissions (market based)	tonnes	1,973	1,463	35%
CO_2e emissions (location based)	tonnes	4,182	4,248	-2%
CO_2e in tonnes per FTE	tonnes	0.63	0.45	38%
MODE OF TRANSPORT				
Company cars	km	6,626,309	5,467,084	21%
Flights	km	48,246	2,369	1936%
Commuting (car)	km	2,623,379	1,711,175	53%
Commuting (public transport)	km	4,959,550	1,423,772	248%
Business travel (car)	km	1,780,037	1,116,785	59%
Total mode of transport	**km**	**16,037,521**	**9,721,185**	**65%**
Kilometres per FTE	*km*	5,083	3,006	69%
PAPER CONSUMPTION				
Paper	tonnes	65	57	14%
Paper in kg per FTE	*kg per fte*	21	18	16%
WASTE				
Residual waste	tonnes	66	67	-1%
Biodegradable waste	tonnes	7	11	-39%
Small chemical waste	tonnes	0.0	0.2	-97%
Business waste	tonnes	22	31	-30%
Paper and cardboard waste[2]	tonnes	17	20	-15%
Plastic	tonnes	8	3	157%
Total waste	**tonnes**	**120**	**133**	**-10%**
Share of waste	*%*	55%	51%	9%
Waste in kg per FTE	*kg per fte*	38	41	-7%
WATER CONSUMPTION				
Water	m3	7,023	8,279	-15%
Water in L per FTE	*L per fte*	2.6	3.0	-14%

1 To determine the emissions of our business operations we use the emission factors given at CO2-emissiefactoren.nl.

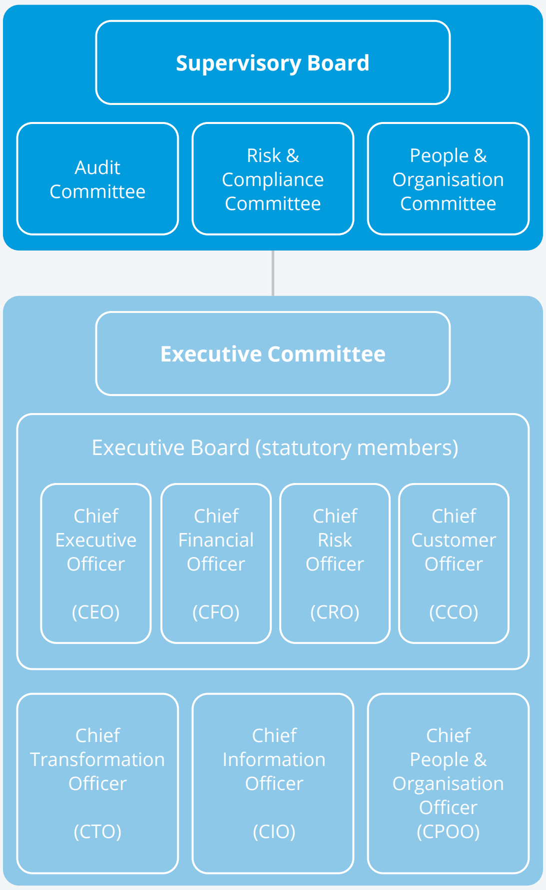
2 These figures only include paper usage of our offices.

3.

GOVERNANCE

3.1 Supervisory Board and Executive Committee

SENIOR MANAGEMENT STRUCTURE AS FROM THE SECOND QUARTER OF 2022



Executive Board and Executive Committee

Changes to the Governance Structure

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

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

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

Role and responsibilities

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

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

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

Executive Committee

From left to the right: Marinka van der Meer, Michel Ruijterman, Martijn Gribnau, Jacqueline Touw, André Haag, Jeroen Dijst and Marjolein de Jongh

Composition and diversity

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

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

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

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

Appointment, suspension and dismissal

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

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

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

Functioning

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

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

Personal details

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

Martijn Gribnau
Chief Executive Officer
1964 – Nationality: Dutch – Gender: Male

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

André Haag
Chief Financial Officer
1982 – Nationality: German – Gender: Male

André Haag was appointed to the Executive Board and Executive Committee on 1 August 2022. André is the Chief Financial Officer and holds no other board positions. Prior to joining de Volksbank he served on the Executive Board of Triodos Bank N.V. as Group CFO. Before that he worked for Deutsche Bank from 2011 to 2019, where he held various senior positions in Luxembourg and Germany, notably as Country CFO Luxembourg and Director in Regional Finance Germany. From 2016 to 2019 he was a member of the Management Board and CFO at Deutsche Holdings (Luxembourg) S.à r.l. Prior to that, he held senior positions in the financial consulting industry. During this time he worked for Ernst & Young, PA Consulting Group and IBM Financial Consulting.

Jeroen Dijst
Chief Risk Officer
1971 – Nationality: Dutch – Gender: Male

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

Marinka van der Meer
Chief Customer Officer
1969 – Nationality: Dutch – Gender: Female

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

Marjolein de Jongh
Chief Transformation Officer
1973 – Nationality: Dutch – Gender: Female

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

Michel Ruijterman
Chief Information Officer
1970 – Nationality: Dutch – Gender: Male

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

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

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

Composition of the Executive Committee as at 31 December 2022

Name		Appointed until
Martijn Gribnau	CEO	AGM 2024
André Haag	CFO	AGM 2026
Jeroen Dijst	CRO	AGM 2024
Marinka van der Meer	CCO	AGM 2026
Marjolein de Jongh	CTO	15 May 2026
Michel Ruijterman	CIO	15 May 2026
Jacqueline Touw	CPOO	1 October 2026

Supervisory Board

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

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

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

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

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

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

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

Functioning

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

Ancillary positions and conflicting interests

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

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

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

Supervisory Board

From left to the right: Gerard van Olphen, Aloys Kregting, Jeanine Helthuis, Petra van Hoeken and Jos van Lange

Composition and diversity

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

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

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

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

Personal details

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

Gerard van Olphen

1962 – Nationality: Dutch – Gender: Male

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

Other positions held by Gerard on 31 December 2022 are:

- Member of the Supervisory Board of a.s.r. / member of the Audit & Risk Committee and member of the Nomination & ESG Committee
- Member of the Supervisory Board of the Dutch Heart Foundation
- Member of the Identification Board (*signaleringsraad*) of the Royal Netherlands Institute of Chartered Accountants (NBA)
- Independent member of the board of GP House B.V.

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

Jeanine Helthuis

1962 – Nationality: Dutch – Gender: Female

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

Other positions held by Jeanine on 31 December 2022 are:

- Vice Chair of the Supervisory Board of ProRail B.V. / member of the Audit Committee, Selection & Appointment Committee and Remuneration Committee

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

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

Petra van Hoeken

1961 – Nationality: Dutch – Gender: Female

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

Other positions held by Petra on 31 December 2022 are:

- Member of the Supervisory Board of Nordea Bank / chair of the Risk & Compliance Committee and member of the Audit Committee
- Member of the Supervisory Board of NWB Bank / Chair of the Risk & Compliance Committee and member of the Audit Committee
- Non-executive member of the Board of Oranje Fonds / vice-chair of the Audit Committee and member of the Investment Committee

- Advisor to the Ministry of Economic Affairs and Climate Policy / Chair of the Credit Committee of the Corporate Finance Guarantee Scheme (GO Scheme)
- Member of the Donations Review Committee of Leiden University
- Member of the board of the foundation for the holding and administration of shares under the RDS (Royal Dutch Shell) employee share plans

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

Aloys Kregting

1967 – Nationality: Dutch – Gender: Male

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

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

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

Jos van Lange

1956 – Nationality: Dutch – Gender: Male

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

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

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

Profile

31-12-2022	Social identity banks	Strategy	Customers	Distribution	People and organisation	Innovation	Sustainability	IT	Data	Finance	Risk, compliance, audit
Gerard van Olphen	•	•	•	•	•	•	•			•	•
Jeanine Helthuis	•	•	•	•	•					•	•
Petra van Hoeken	•	•	•				•	•	•	•	•
Aloys Kregting	•	•			•	•		•	•		•
Jos van Lange	•	•	•	•					•	•	•

3.2 Report of the Supervisory Board

Looking back and ahead with the Chairman of the Supervisory Board

The end of the European Covid 19-related lockdown measures, the start of the Russia-Ukraine war and the subsequent sharp increase in energy prices, inflation and interest rates meant that in 2022 everyone had to operate in a very uncertain and quickly changing economic and geopolitical environment. The same was true for de Volksbank. Following years of low and even negative interest rates, coupled with steadily increasing house prices, the year 2022 marked a fundamental change: interest rates rose sharply and the housing market in the Netherlands started to cool down.

In the second year of the implementation of our strategy for 2021-2025, this meant that, based on the updated macroeconomic projections for the coming years, the financial outlook for our bank changed significantly. On the one hand, rising interest rates are by and large positive for the total income of de Volksbank, on the other hand, higher inflation and stalling economic growth will also have an upward impact on operating expenses and expected loan loss provisioning. The Supervisory Board has been kept up to date about revised financial projections for the coming years and is appreciative that the financial objectives for 2025, in terms of Return on Equity, cost-income ratio and solvency, have remained unchanged and are still within reach. The Supervisory Board approved the Operational Plan for 2023-2026 on 1 December.

De Volksbank has set itself the goal of becoming the bank with the strongest customer relationship in the Netherlands, with a substantial and measurable positive impact on society. If we are to make this happen, a number of changes are necessary.

First and foremost, the bank's operations need to be robust. To this end, we have chosen to build an agile organisation. A change programme entitled *Klantificeren graag!* was launched in 2021, and in March 2022 virtually all parts of the bank adopted the agile way of working. The Supervisory Board was closely involved in the progress of the implementation throughout the year and saw to it that the programme was executed within the parameters of responsible risk management, while considering the interests of employees. In the course of the year, the Works Council and the Supervisory Board had regular meetings.

The choice for an agile way of working calls for different behaviour and different leadership. To better support the change programme, a new senior management structure was set up, consisting of an Executive Committee, with effect from 16 May 2022. The Executive Committee consists of four statutory members i.e. the CEO, CFO, CRO and CCO, and three non-statutory members, i.e. the Chief Information Officer (CIO), the Chief Transformation Officer (CTO) and the Chief People & Organisation Officer (CPOO). The recruitment process for the vacancies for the CFO, CIO, CTO and CPOO positions was an explicit point of focus for the Supervisory Board in 2022. By 1 October 2022, all vacancies were filled.

The Executive Committee is supported by a group of senior managers, 'de Volksbank Leadership Team', appointed after development assessments were conducted in 2021. In 2022, the Supervisory Board freed up considerable time to meet members of senior management, with the aim to improve and intensify cooperation with different management levels.

History has shown that a solid foundation contributes to proper management dynamics. Guided by external advice, the Supervisory Board implemented a programme aimed at redefining the relationship between the Executive Committee and the Supervisory Board. In line with this, and in addition to its regular supervisory duties, in 2022 the Supervisory Board supervised the development of execution power and leadership within the new agile organisation and of the IT roadmap as cornerstones of the customer bank.

Other important preconditions to implement our strategy are a strict compliance with laws and regulations and the continuity of operations. Necessary improvements in data quality, a programme to improve customer integrity, fighting financial crime, and the strengthening of our IT foundation remained high on the agenda. Also in 2023, these topics will remain key priorities and strong continued additional investments will be required. The Supervisory Board will stay closely involved in these topics.

In 2022, de Volksbank posted encouraging results on its shared value ambitions for society, employees and the shareholder. Net profit showed a significant increase, underpinned by rising net interest income and fee income and slightly declining operating expenses. As in 2021, the positive impact of incidental

and non-recurring items was substantial. The picture for the customer was more diverse: the number of active multi-customers increased in line with our ambition, but customer satisfaction rates declined, impacted by the introduction of a fixed monthly fee for a basic banking package.

The strategy for 2021-2025 addresses the challenges the bank faces with its traditional revenue model, making choices aimed at a growth of fee income and expansion of SME lending. Both fee income and SME lending increased substantially in 2022, but a rebound in interest income prevented a higher relative importance of these income categories.

An important challenge for the years ahead is finding and implementing concrete measures to improve our customer relationship and positive impact on society. In 2022, the brands of de Volksbank, i.e. SNS, ASN Bank, RegioBank and BLG Wonen, took many initiatives to reach out to their customers, digitally and through their network of shops and branches, on topics ranging from financial resilience to sustainable investing. The Supervisory Board appreciates these initiatives and has challenged the Executive Committee in a positive and critical way to do more on this subject.

On 7 July 2022, the Dutch Minister of Finance informed the House of Representatives about NLFI's most recent progress report on de Volksbank. In this report, dated 30 June 2022, NLFI stated that de Volksbank made a good start in creating a more robust organisation and strengthening its social identity since the introduction of the new strategy. NLFI noted that full implementation of the strategy will require several years and the Minister of Finance agreed that de Volksbank should be given time to bring this about.

On 22 February 2023, the Minister of Finance, following up on the letter of 7 July 2022, wrote to the House of Representatives that, in order to avoid unnecessary delay and provide clarity to de Volksbank, she intends to take a directional decision about the future of de Volksbank before the end of 2023. In the decision, all options for the future and all governance models will be taken into account. We agree with the Minister that this is the right moment and, in preparation for this decision, de Volksbank will make more concrete plans for the positioning of its social identity, including its stance on the feasibility of different ownership and governance options. De Volksbank will submit these to NLFI before the summer. The Supervisory Board is closely involved in this process.

As for many other companies, the tension on the labour market is a major attention point for de Volksbank. Applicable laws on remuneration in certain key positions make this even more complicated. Maintaining and strengthening our position as an attractive employer will remain key in 2023 and beyond.

In 2022, there were no personnel changes in the Supervisory Board. On 21 April 2022, the terms of office of Jos van Lange and Aloys Kregting expired and both were reappointed. On 31 October 2022, Jos van Lange was appointed Vice Chair of the Supervisory Board.

The Supervisory Board wishes to express its gratitude for the tremendous dedication and commitment shown by management and employees. Putting our mission of 'Banking with a human touch' and our promise 'Better for each other' in practice entirely depends on their daily efforts.

On behalf of the Supervisory Board of de Volksbank,

Gerard van Olphen,

Chair

Meetings

The SB convened seven times in 2022. All regular meetings were attended by most of the members of the SB. Members of the ExCo and the Company Secretary are permanent attendees at SB meetings. For the first hour of each meeting, the SB meets in private.

Supervisory Board attendance in 2022

Total meetings per Supervisory Board member	SB	AC	R&CC	P&OC
Gerard van Olphen	7/7			4/4
Jeanine Helthuis	7/7		4/4	4/4
Petra van Hoeken	6/7	4/4	4/4	
Aloys Kregting	6/7	4/4		4/4
Jos van Lange	7/7	4/4	4/4	
Total attendance	**94%**	**100%**	**100%**	**100%**

In 2022, topics discussed by the SB in regular meetings included, but were not limited to:

Execution of de Volksbank's strategic plan

The in 2021 presented Strategic Plan 2021-2025 'Better for each other – from promise to impact' outlines the direction in which de Volksbank is heading. To increase the adaptability of the Strategic Plan a rolling and adaptive plan was chosen. To achieve the targets of the Strategic Plan an execution road map was established that includes five key necessary movements of change:

- Digital and omnichannel dialogue
- Development of new business models
- Transformation to a customer orientated bank ('Fundament Klantbank')
- Customer integrity
- Efficiency and flexibility with outsourcing and partnering

2023-2026 Operational Plan

The 2023-2026 Operational Plan is based on the re-affirmed strategy of de Volksbanks' Strategic Plan 2021-2025 'Better for each other – from promise to impact'. Key themes are:

- The growth in the number of active multi-customers;
- Balance sheet optimisation;
- Building a financially and operationally robust bank.

The ExCo presented the 2023-2026 Operational Plan to the SB in a meeting in December 2022. The 2023-2026 Operational Plan was supported by detailed and well-substantiated second-line advice, of which the SB took due note and the SB approved the 2023-2026 Operational Plan in its meeting of December 2022.

Implementation of an agile organisation and agile way of working

In the SB's regular meetings, the ExCo informed the SB on the impact and results of and the progress made with the agile transformation. The SB discussed the impact on staff of this transformation with the Works Council. During several meetings the SB was informed more in depth of the actual impact of the agile way of working within de Volksbank's context and a deep dive status of the transformation into an agile organisation.

Cybercrime and cyber risks

Information security and the growing cyber threat remained key topics in 2022. The Audit Committee and the SB were updated on a regular basis on developments and measures taken. In this context, the control framework and IT general controls are continuously improved and tested.

Customer integrity

The progress on de Volksbank's customer integrity enhancement programme was discussed in the presence of the full SB. In 2022 de Volksbank was in touch with DNB on its progress on Customer Integrity. During this period de Volksbank has transparently communicated with DNB about its new insights in the depth and scope of its remediation efforts and its intended revised approach to become Money Laundering and Terrorist Financing (Prevention) Act (AMLD) compliant. The information provided in this context included opinions of the three lines of defence.

General topics

- Covid-19 impact and updates
- 2021-2025 Strategic Plan execution
- Characteristics of a social bank and diversity in the Dutch banking landscape
- Transaction monitoring and customer integrity (KYC, CDD, AML, CFT etc.)
- Quarterly reports drawn up by Audit and EY
- Quarterly reports on financial, non-financial and strategic risks
- Quaterly reports Supervisory Office
- Follow-up to the joint EY and Audit management letter
- 2021 Integrated Annual Review, 2021 Annual Report, 2022 interim financial report, related press releases and Pillar 3 and ESG reports
- Commercial developments at ASN Bank, BLG Wonen, RegioBank and SNS
- Annual review and risk analysis of the Remuneration Policy of the ExBo and SB
- Results achieved of 2021 and Q1-Q3 2022 KPI's of the ExCo and senior management
- 2023 KPIs of both the ExCo and senior management
- Update on proceedings following the nationalisation.

Finance and risk

- 2023-2026 Operational Plan including risk opinion
- Monthly Business Report, Quarterly Business Report, interim and annual figures, related press releases and Pillar 3 and ESG reports
- 2022-2023 Risk Appetite Statement (RAS) and interim updates
- Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reports
- Litigation statement and non-credit risk provisioning
- 2021 SREP decision and preliminary outcome 2022 SREP decision

Supervisory quality assurance and self-assessment

A lifelong learning (LL) programme is in place to deepen and broaden SB's knowledge. In 2022, the SB, together with the ExCo, attended LL sessions in which the following subjects were successively discussed:

- Customer relationship and social impact
- Socially responsible management and supervision
- Integrating ESG factors into business operations; opportunities and risks
- Financial and economic crime

The SB assesses its own functioning on an annual basis. At least every three years, this evaluation is carried out under the supervision of an external consultant. In 2021, an external accredited consultancy firm developed a plan of approach to support the SB and the ExCo in their cooperation, which was set to run up to and including the fourth quarter of 2022. This plan comprised of various activities such as interviews and separate and joint sessions for both the SB and the ExCo.

Employees and employee participation

As in 2021, 2022 was a year in which Covid-19 affected de Volksbank's employees. 2022 was also a year in which the Works Council expressed an opinion on the request for advice on the implementation of an agile way of working as part of the Strategic Plan 2021-2025. Customer relationships and social impact were important topics too. Similar to 2021, the Works Council was closely involved and consulted in these initiatives in 2022.

The Works Council exercised its right to speak at the AGM of 21 April 2022 and stressed the importance for the employee to be an indispensable link to make social impact and strengthen the customer relationship. During this meeting the Works Council also looked back on the activities it had performed in the period May 2021 – April 2022.

In 2022, the Works Council, the ExCo and the Supervisory Board met on a regular basis in various combinations. The topics discussed in these meetings included:

- Covid-19-related scenarios and the New Way of Working (HNW) Policy 2.0
- Execution of the Strategic Plan 2021-2025, including the request for advice and approval of the implementation of an agile way of working as part of the Strategic Plan 2021-2025
- Financial and commercial updates
- Social framework
- 2021 Annual report of the Works Council
- Results of the 2022 employee surveys
- Results of the 2022 agile working surveys
- Performance management
- Social impact
- Safe working environment
- Employee participation
- Absenteeism
- Long-term office housing plan
- Collective labour agreement

Committees of the Supervisory Board

The SB has formed the following committees from within its own ranks: the Audit Committee (AC), the Risk & Compliance Committee (R&CC) and the People & Organisation Committee (P&OC).
The task of these committees is to prepare the decision-making of the SB and to support the SB by providing advice on various topics. The SB has drawn up rules of procedure for each of these committees and appoints the chairs.

Composition of committees on 31 December 2022

	AC	R&CC	P&OC
Gerard van Olphen	-	-	Member
Jeanine Helthuis	-	Member	Chair
Petra van Hoeken	Member	Chair	-
Aloys Kregting	Member	-	Member
Jos van Lange	Chair	Member	-

Audit Committee

The AC advises and assists the SB in its decision making by, inter alia, reviewing the:
(i) reliability of the financial reporting process and risk assessment of issues that can influence financial reporting;
(ii) structure and functioning of the internal risk management system in all matters concerning accounting and tax policies and practices, and the internal control system, and relevant statutory and regulatory compliance; and
(iii) independence and functioning of the internal and external auditors.

The AC is composed of at least three members. On 31 December 2022, the committee comprised the following members: Jos van Lange (Chair), Petra van Hoeken and Aloys Kregting. Unless the AC determines otherwise, the CEO, the CFO, the CRO, the Director of Audit and the external auditor (EY) are permanent attendees at every meeting. The AC can invite other persons to attend the meeting. The Chair of the AC, the Director of Audit and the external auditor hold a preliminary consultation prior to the meeting, unless they decide otherwise. At least once a year, an AC meeting is held at which the Director of Audit and the external auditor are present outside the presence of the ExBo.

The Rules of Procedure for the Audit Committee were last amended on 1 December 2022.

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

The AC was also informed on a quarterly basis of developments in the field of IT, including key controls reporting and cyber security.

Specific topics discussed in the AC in 2022 included:

1. As regards the reliability of the financial reporting process:
- 2021 Integrated Annual Review
- 2021 Annual Report
- 2021 ESG Report
- Monthly and Quarterly Business Reviews, interim and annual figures, related press releases and Pillar 3 reports
- Planned dividend distribution for 2022
- Management reports
- Accounting issues
- 2023-2026 Operational Plan
- Non-credit risk provisioning and Litigation Statement
- Periodic tax updates

2. As regards the structure and functioning of matters concerning accounting and tax policies and practices, internal control, and relevant statutory and regulatory compliance:
- Quarterly reports drawn up by Audit and EY
- Quarterly reports drawn up by IT
- Tax policy and updates
- Data management
- Risk Review of the 2023-2026 Operational Plan
- Joint management letter of EY and Audit
- Audit/EY meeting on the functioning and attitude of the ExCo (tone at the top)
- Performance report audit
- 2023 Audit Plan
- Quarterly reports drawn up by the Supervisory Office

3. As regards the independence and functioning of the internal and external auditors:
- 2023 Audit charter
- Audit's performance assessment
- EY Audit plan, risk assessment and updates
- Performance assessment of the external auditor

Risk & Compliance Committee

The R&CC assists and makes recommendations to the SB in its role of supervisor of de Volksbank and functioning of the internal risk management system (three lines of defence) and control system, in conjunction with the bank's overall risk appetite and strategic objectives.

The R&CC is composed of at least three members. On 31 December 2022, the R&CC comprised the following members: Petra van Hoeken (Chair), Jeanine Helthuis and Jos van Lange. The CEO, CRO, CFO, and the Directors of Audit and Compliance have a standing invitation to attend the meetings of the R&CC. The R&CC can invite other persons to attend a meeting. Prior to a meeting of R&CC the Committee's chairman will have a preliminary consultation with the CRO. The Chair of the SB and the Chair of the R&CC both have regular meetings with the Director of Compliance. The Rules of Procedure for the R&CC were last amended on 1 December 2022.

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

Specific topics discussed in the R&CC in 2022 included:
- Quarterly reports on risk context, financial, non-financial and strategic risks
- Path to Green with respect to Reporting Risk
- Excess liquidity approach
- 2022-2023 Risk Appetite Statement (RAS) including interim updates
- In-control statements
- Remedial action plan 2021 Supervisory Review & Evaluation Process (SREP) letter and draft 2022 SREP letter
- Quarterly reports drawn up by the Supervisory Office
- 2022 Annual Report on whistle-blowers' scheme
- Transaction monitoring and customer integrity, including S(C)IRA
- Cyber security risks
- Modelling: PHIRM 3.1, PHIRM 4.0, PHIRM 5.0
- ECB guidelines on climate and related environmental risks
- Quarterly reports drawn up by Compliance
- 2022 Compliance Charter
- 2022 Annual plan Compliance
- Transaction monitoring and customer integrity (KYC, CDD, AML, CFT etc.)
- Periodic updates on the various loan portfolios
- 2022 Risk analysis remuneration
- 2022 Recovery Plan
- ECB Climate stress test

People & Organisation Committee

The P&OC assists and makes recommendations to the SB in matters that include the (i) remuneration policy and terms of employment of the members of the ExCo, senior management and employees; (ii) appointment policy of the SB, the ExCo and senior management; (iii) organisational changes and internal succession issues; (iv) supervision of the way in which the ExCo performs its employer's duties; (iv) ensuring that the individual and collective suitability assessments of members of the SB, ExCo and senior management are carried out; and (v) carrying out assessments on structure, size, composition, functioning and talent management of the ExCo.

The P&OC is composed of at least three members. On 31 December 2022, the committee comprised the following members: Jeanine Helthuis (Chair), Aloys Kregting and Gerard van Olphen. The P&OC can invite members of the ExCo or other persons to attend a meeting. The P&OC meets at least once a year with the R&CC in a joint meeting to discuss, inter alia, how renumeration outcomes reflect risk. The Chair has consultations with the Chair of the Works Council on a regular basis. The rules of procedure for the

People & Organisation Committee were last amended on 1 December 2022. The P&OC convened four times in 2022.

Specific topics discussed in the P&OC in 2022 included:

1. As regards the remuneration policy and terms of employment of the members of the ExCo, senior management and employees:

- Annual review and risk analysis of the remuneration policies of the ExCo, senior management, Identified Staff and Non-Identified Staff
- Adoption of the 2023 list of Identified Staff
- Adoption of the 2022 Remuneration report for Identified Staff
- 2022 Remuneration report
- KPI assessment and achievements of ExCo and senior management for 2022
- Progress updates on KPIs for ExCo and senior management for 2022
- Proposal and realisation on KPIs for the ExCo for 2023

2. As regards the appointment policies of the SB, the ExCo and senior management:

- Succession process and (re)appointment of the members of the ExCo and senior management
- Self-assessment and lifelong learning of the ExCo and SB

3. As regards the organisational changes and internal succession issues:

- Updates in relation to the transformation into an agile organisation and the agile way of working
- Changes in the top management structure
- Amendments to the ExCo's generic profile
- Future of learning and development

4. As regards the supervision of the way in which the ExCo performs its employer's duties:

- Results of the 2022 employee surveys
- Quarterly survey of HR subjects added to the QBR
- Salary structure of high earners (employees whose salaries are not covered by the collective labour agreement)
- Update on negotiations and amendments to the Collaboration Agreement with the Works Council
- Discussion of HR dashboard, including sickness absence, staff turnover and other indicators of the quality of the work environment
- 'New Way of Working (HNW) Policy' 2.0
- Report on the gender pay gap at de Volksbank

Relationship and consultations with the shareholder

NL Financial Investments (NLFI) is the sole shareholder of de Volksbank. In addition to the Articles of Association (AoA) of de Volksbank, which contain a list of the duties of the ExCo and the rules governing its functioning, NLFI and de Volksbank signed a Memorandum of Understanding (MoU). This MoU contains agreements on the way in which the ExCo should exercise its powers ensuing from the AoA in the day-to-day operations. Consultations between the SB and NLFI take place periodically in accordance with an annual meeting calendar. In these meetings the Chair of the SB discusses various topics including the assessment of the ExCo and the SB. In addition, de Volksbank's AGM is prepared in consultation with NLFI.

In 2022, the AGM was held on 21 April.
As the sole shareholder of de Volksbank, NLFI reports to the Minister of Finance every year by means of a progress report. This report provides an overview of the extent to which de Volksbank is implementing its strategy and assesses whether de Volksbank is ready for a future independent of the Dutch State. On 7 July 2022, the Minister of Finance informed the House of Representatives of the state of affairs based on NLFI's progress report dated June 2022. In this report, dated 30 June 2022, NLFI stated that de Volksbank made a good start in creating a more robust organisation and strengthening its social identity since the introduction of the Strategic Plan 2021 – 2025. NLFI remarked that further measures will be necessary to achieve a structural improvement of the financial results and that market dynamics, i.e. higher inflation, higher interest rates, geo-political developments, may have an impact and may require further adjustments. The implementation of the strategy and the subsequent improvement of financial results will require several years and the Minister of Finance noted that de Volksbank should be given time to bring this about. Therefore it is too early for a decision on the privatisation of the bank.

Financial statements and dividend proposal

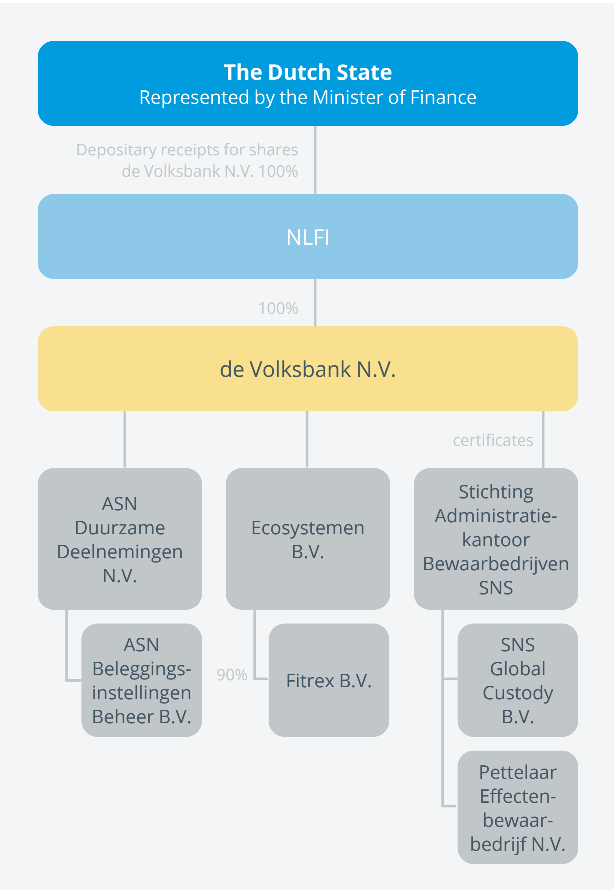
Prior to publication, the 2022 financial statements were discussed in meetings of the ExCo, AC and SB. On 9 March 2023, EY – de Volksbank's external auditor in 2022 - issued an unqualified auditor's report on the 2022 financial statements. On the same date the members of the Supervisory Board approved and signed the financial statements. At the AGM on 21 April 2022, NLFI agreed to de Volksbank's proposal to pay out a dividend of € 97 million to NLFI charged to the annual result of de Volksbank for 2021. The profit after dividend distribution for the 2021 financial year was added to the other reserves.

3.3 Legal structure of de Volksbank

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

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

The overview comprises a statement of all wholly-owned subsidiaries as at 31 December 2022.
For more information, please refer to our website www.devolksbank.nl



3.4 Remuneration Report

Introduction

This Remuneration Report of de Volksbank N.V. (de Volksbank) covers the remuneration of the Executive Committee (ExCo) and the Supervisory Board of de Volksbank. The statutory members of the ExCo and members of the Supervisory Board do not have an employment contract and receive remuneration for their services. The non-statutory members of the ExCo do have an employment contract and receive a salary. For the sake of readability, this report refers to remuneration for all ExCo members.

De Volksbank's mission is 'Banking with a human touch' and this includes 'remuneration with a human touch'. In establishing the remuneration policy and the actual remuneration, we take into account our stakeholders, i.e. customers, society, employees and the shareholder. We like to keep things simple and want to show that our strategy enables us to attract and retain good people without offering them higher pay than the industry average (see below under Remuneration benchmarking). We ensure equal pay in equal situations, and remuneration and/or performance assessments are not affected by, for example, gender differences or ethnic background. The aforementioned also applies to the ExCo.

The remuneration of the ExCo is in reasonable proportion to the salaries of our employees and the average remuneration in the Netherlands (see below under Pay ratios). De Volksbank does not offer any variable remuneration as we do not consider variable remuneration linked to performance agreements to be in keeping with the social character of our bank.

Remuneration policy of the Executive Committee

Remuneration elements

Members of the ExCo are appointed for a term of four years. Statutory members have a contract of service and non-statutory members have an employment agreement. The remuneration consists of a management fee or fixed annual income, a pension contribution and fringe benefits, such as a supplement as compensation for the loss of pension accrual over and above € 114,866 and a lease car.

Remuneration

Like our employees' salaries, the remuneration of members of the ExCo was increased by 1.5% with effect from 1 July 2022. As from that date, the remuneration of the ExCo members is as follows:

- Chair € 437,328
- Statutory members € 335,647; and
- Non-statutory members € 295,670

The remuneration for statutory members of the ExCo as stated above is below the amount as stated in the remuneration policy, i.e. € 358,002. Increasing the remuneration of the members of the ExCo - other than collective increases - is not possible, as the bonus ban and salary freeze as set out in the Dutch Financial Supervision Act *(Wft)* applies. On the one hand, it is understandable that restrictions have been imposed in return for the State aid received, and de Volksbank itself decided it does not want to reward its employees at the higher end of the market. On the other hand, we - as de Volksbank - must also take into account the reality of that market. The bonus ban and salary freeze mean that the remuneration may not be increased other than in line with collective increases. As a result, in the longer term, remuneration may be further out of line with that of comparable positions in the market. Especially in view of the tight labour market, it may become increasingly difficult to attract and retain directors.

Remuneration benchmarking

Once every two years we compare the remuneration of the ExCo members with the remuneration of comparable positions in the general market. The general market consists of a combination of comparable financial and non-financial corporations. This benchmark was last performed in May 2021, with the following results:

- the remuneration of the Chair was 24% below the general market median. Looking not only at the fixed remuneration, but also at the variable remuneration in the market, remuneration was 59% below the general market median.
- the remuneration of the statutory members of the ExCo was 21% below the median of the general market. Looking not only at the fixed remuneration, but also at the variable remuneration in the market, remuneration was 51% below the general market median.
- the remuneration of non-statutory members of the ExCo was established in 2022, after the benchmark of 2021. This remuneration was 2% above the general market median of 2021. This was due to the collective increase in July 2022. Looking not only at the fixed remuneration, but also at the variable remuneration in the market, remuneration was 33% below the general market median of 2021.

Pension

ExCo members participate in the same pension scheme as the employees of de Volksbank. No additional pension is granted. To compensate for the lack of pension accrual over and above the € 114,866 cap, members of the ExCo receive a gross supplement of 16.35% of their remuneration over and above that amount.

Other

The fringe benefits of the ExCo members are for the most part equivalent to the fringe benefits of de Volksbank employees.

In the event of termination of employment contract at de Volksbank's initiative, the ExCo members will receive no more than one year's fixed annual remuneration as compensation.

Performance objectives

Each year, the Supervisory Board sets the performance objectives for the ExCo. These objectives are derived from de Volksbank's (long-term) strategic objectives, and in setting them the Supervisory Board takes into account the desired risk profile and sustainability of de Volksbank. These two themes are secured every year. The Supervisory Board also considers the interests of all stakeholders of de Volksbank.

As ExCo members are only entitled to fixed remuneration, there are no unwanted incentives that could place short-term individual interests above any of the long-term collective objectives.

At the end of each performance period, the Supervisory Board assesses the performance of the ExCo in achieving its performance objectives, as well as the progress on its long-term objectives.

Performance year 2022

Aspect	Category	Weight
Shared value/ output	Customer	10%
	Society	10%
	Employees	10%
	Shareholder	10%
		40%
In Control	Risk	7.5%
	Continuity	
Transformations	Digital and Omnichannel dialogue environment	4.5%
	Relevant product range, new propositions, small businesses as new target market	4.5%
	Customer bank	4.5%
	Customer-focused setup	4.5%
	Efficient and flexible	4.5%
		30%
Conduct	Customer focused	10.5%
	Cooperation with a focus on results	10.5%
	Continuous improvement and innovation	9%
		30%
		100%

In this context, the Supervisory Board assesses the extent to which the performance objectives were achieved and the way in which conduct and culture within de Volksbank were managed in line with 'banking with a human touch' (competencies and critical success factors). The Supervisory Board has assessed the overall achievements for 2022 and has concluded that the ExCo achieved 53% of the objectives.

The following tables show the performance objectives that have been set for 2023.

Performance year 2023

Aspect	Category	Weight
Shared value/ output	Customer	25%
	Society	25%
	Employees	25%
	Shareholder	25%
		100%
Risk & In Control	Risk	70%
	SREP	15%
	Transformations	15%
		100%
Conduct	Result-oriented cross-team collaboration	30%
	Developing a risk culture	30%
	Developing leadership	40%
		100%

Actual remuneration of the members of the Executive Committee

Gross compensation of the Executive Committee Audited

in € thousands	Position	Fixed year income 2022	Fixed year income 2021	Pension[1] 2022	Pension[1] 2021	Other[2] 2022	Other[2] 2021	Severance pay 2022	Severance pay 2021	Total 2022	Total 2021
Martijn Gribnau	CEO	434	428	23	23	86	84	--	--	543	535
Jeroen Dijst	CRO	333	328	23	23	52	58	--	--	408	409
Marinka van der Meer	CCO	333	328	23	23	54	52	--	--	410	403
André Haag[3]	CFO	140	--	10	--	25	--	--	--	175	--
Marjolein de Jongh[4]	CTO	185	--	15	--	30	--	--	--	230	--
Michel Ruijterman[4]	CIO	185	--	15	--	26	--	--	--	226	--
Jacqueline Touw[5]	CPOO	74	--	6	--	16	--	--	--	96	--
John Reichardt[6]		--	234	--	16	--	51	--	--	--	301
Total Board		**1,684**	**1,318**	**115**	**85**	**289**	**245**	**--**	**--**	**2,088**	**1,648**
FORMER DIRECTORS											
Pieter Veuger[7]		--	--	--	--	--	--	315	--	315	--
Total current and former Board members		**1,684**	**1,318**	**115**	**85**	**289**	**245**	**315**	**--**	**2,403**	**1,648**

1 The pension is the employer contribution minus the employee's personal pension contribution.
2 'Other' includes all remaining remuneration, including the supplement as compensation for the loss of the pension accrual in excess of € 112,189, the addition for the use of a company car and social security contributions.
3 Remuneration as form 1-8-2022
4 Remuneration as from 16-5-2022
5 Remuneration as from 1-10-2022
6 Remuneration as from 15-4-2021 up to 1-1-2022
7 Court-ordered amount of fair compensation, transition compensation and pay for any untaken statutory holiday entitlements

Pay ratios

It is our standard that the Chair of the ExCo does not earn more than approximately ten times the median salary[8] of de Volksbank employees. De Volksbank also reports on the pay ratio between the:

- average remuneration of the ExCo members (excluding the Chair) and the median of the salaries of employees;
- remuneration of the Chair of the ExCo and the maximum of the lowest pay scale as at 31-12-2022;
- remuneration of the Chair of the ExCo and the average pay in the Netherlands according to the OECD;
- average remuneration of the Chair of the ExCo (excluding the Chair) and the average remuneration in the Netherlands according to the OECD.

Over the past five years, the situation was as follows:

Pay ratio

	2022	2021	2020	2019	2018
INTERNAL					
Ratio between the compensation of the Chairman of the ExCo and the median employee salaries at de Volksbank	6:1	7:1	7:1	7:1	6:1
Ratio between the average compensation of ExCo members and the median employee salaries	5:1	5:1	5:1	5:1	5:1
Ratio between the compensation of the Chairman of the ExCo and the maximum of the lowest pay grade as at 31 December	20:1	20:1	20:1	20:1	20:1
EXTERNAL					
Ratio between the compensation of the Chairman of the ExCo and the average pay in the Netherlands according to the OECD	n.a.[1]	9:1	9:1	10:1	10:1
Ratio between the average compensation of ExCo members and the average pay in the Netherlands according to the OECD	n.a.[1]	7:1	7:1	7:1	7:1

1 At the time of publication, the OECD figure was not yet known and therefore no ratio for 2022 could be presented

Share ownership

Members of the ExCo do not hold any shares in de Volksbank. All shares are held by NLFI, which has issued depositary receipts for shares to the Dutch State in return.

Loans

On 31 December 2022, no loans to members of the ExCo were outstanding.

Compensation of the Supervisory Board

Remuneration policy of the Supervisory Board

The table below provides an overview of the fixed annual gross remuneration of the members of the Supervisory Board and the remuneration for committee membership.

Compensation policy for members of the Supervisory Board (no VAT applicable)

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

In February 2022, we compared the remuneration of the members of the Supervisory Board against the general market: a combination of comparable financial and non-financial corporations. This benchmark showed that the remuneration is 30% below the median of the general market.

8 Employees' salaries and the remuneration of the ExCo consist of the following components: fixed salary or management fee (including any supplements), pension and social security contributions. The OECD figure does not include pension and social security contributions and for that comparison, de Volksbank uses the same definition as the OECD.

Actual remuneration of the members of the Supervisory Board

The table below gives a complete overview of the actual remuneration per Supervisory Board member:

Gross compensation of the Supervisory Board (no VAT applicable) Audited

	As a member of the Supervisory Board[1]		As a member of a committee[2]		Total	
in € thousands	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Gerard van Olphen (Chair)[3]	44	17	5	3	49	20
Jos van Lange (Vice Chair)	31	31	12	14	43	45
Jeanine Helthuis[4]	31	9	12	3	43	12
Petra van Hoeken[4]	31	9	12	3	43	12
Aloys Kregting	31	31	10	12	41	43
Jan van Rutte[5]	--	27	--	6	--	33
Monika Milz[6]	--	9	--	4	--	13
Sonja Barendregt-Roojers[6]	--	9	--	4	--	13
Total	**168**	**142**	**51**	**49**	**219**	**191**

1 Annual fixed compensation for the membership/chairmanship of the Supervisory Board.
2 Annual compensation for one or more committees.
3 Compensation as from 13-08-2021
4 Compensation as from 20-9-2021
5 Compensation until 13-8-2021
6 Compensation until 21-4-2021

Share ownership

Members of the Supervisory Board do not hold any shares in de Volksbank. All shares are held by NLFI, which has issued depositary receipts for shares to the Dutch State in return.

Loans

On 31 December 2022, no loans to members of the Supervisory Board were outstanding.

Supervision on remuneration

Both the Supervisory Board and the ExCo are responsible for the supervision of remuneration at de Volksbank. Other parties involved are the People and Organisation Committee (P&OC) of the Supervisory Board, the control departments of Risk, Compliance and Audit, and the staff departments of Finance, Legal Affairs and Human Resources. Moreover, the Remuneration policy is discussed at least once a year by the Risk & Compliance Committee (R&CC) of the Supervisory Board. Last year, the policy was discussed in both the P&OC and R&CC.

Supervisory Board

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

The Supervisory Board also approves the Remuneration policy for the directors as proposed by the ExCo, and supervises implementation thereof. Moreover, the Supervisory Board is responsible for approving the broad lines of the Remuneration policy for de Volksbank employees as proposed by the ExCo.

At least once a year, the Supervisory Board will arrange a central and independent internal review by Audit, which verifies the implementation of de Volksbank's remuneration policy for compliance with laws and regulations, policy making and procedures for remuneration.

The Supervisory Board discusses any material retention, signing-on and buy-out fees, and sees to it that any such fees are in keeping with the adopted Remuneration policy of de Volksbank and are not excessive. Any such fees are granted on very rare occasions only.

The Supervisory Board directly supervises the remuneration of the directors of Risk, Compliance and Audit who hold overall responsibility. In doing so, the Supervisory Board may call upon the expertise of independent remuneration experts where necessary.

ExCo

The ExCo is responsible for the Remuneration policy of de Volksbank with the exception of the Remuneration policy for the ExCo itself.

In exceptional situations and on good grounds, the ExCo has the discretionary power, in so far as it does not relate to the members of the ExCo itself, to deviate from the adopted Remuneration policy, to the extent that laws and regulations permit. In the case of employees falling outside the scope of the collective labour agreement (high earners), approval will be sought from the Supervisory Board.

The ExCo is responsible for the application of the reasonableness test for the directors and Identified Staff in general, and - as far as directors and other employees are concerned - for the approval of benchmarks on market conformity and the approval of non-material retention, signing-on and buy-out fees.

Control and staff departments

The Remuneration policy and compliance therewith is jointly monitored by the control departments of Risk and Compliance and the staff departments of Finance, Legal Affairs and Human Resources through a Remuneration Working Group. The Audit department periodically performs independent audits into the drawing up and implementation of the Remuneration policy.

3.5 Sustainability governance

Governance is an important topic not only for de Volksbank itself, but also for the companies that we invest in or finance.

In this section we describe how de Volksbank has set up its sustainability governance. Our sustainability criteria include our expectations of good governance that aids the shift to a more sustainable world. When assessing companies' governance, we expect each company to have a policy that regulates the ethical conduct for its employees, no matter where the company operates or is located. We expect companies to be transparent about their performance as far as governance, climate change, human rights and biodiversity are concerned. For more information, see our Guide on Sustainability Criteria.

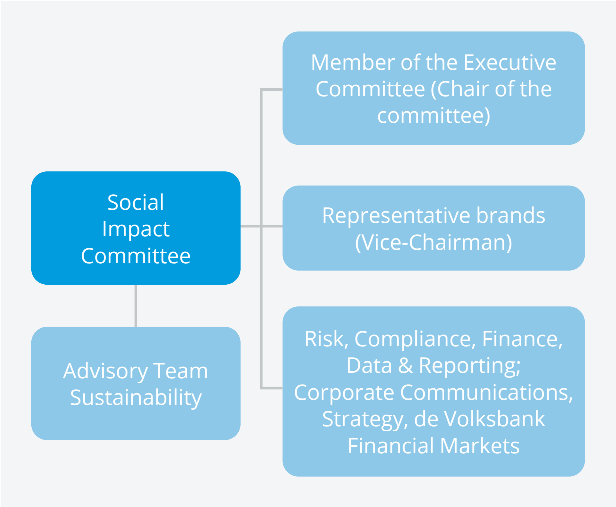
The development and implementation of sustainability is assigned to owners within the Executive Committee (ExCo) and senior management. The Social Impact Committee (SIC) is a risk committee with a broad mandate that oversees our impact on society and the impact of sustainability matters on de Volksbank. It meets 8 times a year, or more frequent if required.

The SIC is responsible for the progress of strategic targets for social (inside-out) impact, for monitoring the incorporation of ESG matters in business processes and for the risk management framework (outside-in) as well as for fostering transparency on compliance with the non-financial reporting guidelines. The committee is chaired by the Chief Risk Officer, representing the ExCo. Vice-chair of the SIC is the Hub Lead ASN Bank, representing de Volksbank's brands. Other members of the SIC include representatives from Strategy, Finance, Corporate Communication, de Volksbank Financial Markets, Risk and Compliance. Audit has a standing invitation. All members of the SIC may escalate (pending) decisions to the ExCo.

The ExCo holds responsibility for achieving the overall sustainability objectives of de Volksbank and establishing that these are in line with risk appetite.

The Chief Risk Officer was made responsible for sustainability in 2021, this includes involvement in approval and selection of the material topics and the progress on these topics as included in our annual reporting. The expected impact on our four stakeholder groups, i.e. customers, society, employees and the shareholder, is included in the decision-making during all ExCo and SIC meetings to ensure that the impact on natural, human and social capital is taken into consideration. Every year, we evaluate our social impact-related policies and activities against our shared value KPIs and adjust them where necessary. The ExCo discusses topics related to long term value or impacts on a regular basis with the four stakeholder groups throughout the year.

As from 2022, a multidisciplinary Advisory Team (AT) Sustainability provides the SIC with advice on sustainability matters. The members of this team are representatives from the first line of defence, the business and the supporting teams. Risk and Compliance have independent control functions. Legal affairs is also part of this team in anticipation of all the (upcoming) ESG legislation. The team meets 2 weeks ahead of the SIC.



3.6 Codes and regulations

Banking code

In 2015, the Dutch Banking Association (NVB) introduced a entitled called Future-oriented Banking. Apart from the Banking Code, this package contains a Social Charter and rules of conduct for people employed in the Dutch banking sector. Through this package, the Dutch banking sector aims to restore confidence and trust in the financial sector.

The Social Charter is a roadmap to achieve the banking sector's desired social position and shared value vision. The rules of conduct are associated with the Banker's Oath.

The NVB introduced the first version of the Banking Code in 2010. This code contains various principles on corporate governance, risk management, audit and remuneration. The Banking Code is a form of self- regulation, to which banks themselves apply the 'comply or explain' principle.

De Volksbank complies with the principles of the Banking Code. For more detailed information on how de Volksbank applies the Banking Code, please refer to the overview on our website www.devolksbank.nl. As compliance with the Banking Code is a dynamic process due to ongoing new developments, this overview is regularly updated.

Dutch Corporate Governance Code

The revised Dutch Corporate Governance Code 2022 (DCGC) as drawn up by the Dutch Corporate Governance Code Monitoring Committee, was published on 20 December 2022. The Code consists of principles and 'best practice' provisions regarding the corporate governance of Dutch listed companies. Compliance with the DCGC is based on the 'comply or explain' principle pursuant to which listed companies are obliged to state how they apply the DCGC.

Although de Volksbank is not a listed company, and its shares are privately held by NLFI, the bank voluntarily applies the DCGC in full.

For more detailed information on how de Volksbank applies the DCGC, please refer to the overview on our website www.devolksbank.nl. As compliance with the DCGC is a dynamic process due to ongoing new developments, this overview is regularly updated.

Responsible tax policy

De Volksbank and its brands ensure compliance with the laws and regulations governing their business operations and activities. Being a social bank, we believe that this includes a responsible tax policy that benefits the organisation, our customers and society. Health, safety, education and other public expenditure are paid for from tax revenues, and we are well aware of that. So, we are happy to pay our fair share of tax. Our tax policy is approved by the ExCo and reviewed by the Audit Committee.

The spirit of the law

Naturally, we comply with all relevant tax laws and regulations. In addition, we check if we comply with the spirit of these laws, in other words, with the real meaning or intention. We believe it is not appropriate to push the limits on taxation. We have no objection to being granted a tax benefit as intended by tax legislation, but we will never devise or set up aggressive tax structures or use tax havens to obtain one. Nor do we let tax considerations play a decisive role.
However, we do take into account tax aspects in relation to some of our customer products, such as potential tax-deductible interest on mortgages.

Tax rate

We do not aim for the lowest possible effective tax rate nor an artificial effective tax rate reduction. Effective tax rate planning is not part of our corporate objectives. As there are many differences between accounting- and tax rules, the result in the financial statements may differ from the taxable result, resulting in a lower or higher effective tax rate compared to the statutory tax rate.

Dutch Tax Authorities

De Volksbank maintains a proactive and open relationship with the Dutch tax authorities, which is characterised by transparency and mutual trust. We formalised this by signing a so-called Horizontal Tax Monitoring (HTM) agreement, a form of cooperative tax compliance.

In 2020, the Dutch tax authorities introduced a new, more strict approach to HTM, tightening the applied method. De Volksbank's current agreement with the Dutch tax authorities will be reviewed in 2023.

De Volksbank and the Dutch tax authorities have regular meetings, where potentially important (new) tax position developments and other tax-related topics are discussed. In these discussions, we do not only highlight our own point of view, but we also highlight arguments that may argue against our own tax position. When we make mistakes, we will try to find a solution in consultation with the tax authorities and pay the taxes potentially due. We will accept the consequences and learn from our mistakes to prevent them in the future. If our customers are affected by this, we will ensure that the impact will be as limited as possible.

Tax control and risk management

Our tax control measures are intended to keep track of potential future changes in legislation, to be tax compliant, to identify risks and impact and to minimise errors. All our tax control measures combined constitute our Tax Control Framework, which is part of HTM and de Volksbank's Integrated Control Framework.

This all contributes to the mitigation of tax risks, the filing of timely, correct and complete tax returns and tax compliant products for our customers. Examples of these tax control measures are training sessions and presentations for the business and management, regular participation in various internal and external meetings and the mandatory tax sign-off in the Product Approval and Review Process.

The tax control measures are reviewed by the Operational Risk department. A Risk Control Self-Assessment (RCSA) is also performed on an annual basis.

Any concerns about unethical or unlawful tax-related behaviour of the organisation can be voiced through the regular processes and procedures of incident and loss management as well as through the whistleblowing procedure.

International aspects

In recent years, the focus on tax policies of internationally operating corporations, and on international tax evasion in particular, has increased. De Volksbank endorses international legislative initiatives on this issue, such as the OECD's and EU's tax initiatives and new or amended domestic legislation resulting from these initiatives, even though not all of these are equally relevant to de Volksbank as we operate mainly in the Netherlands.

We are obliged to report potentially aggressive cross-border tax arrangements to the Dutch tax authorities under the Mandatory Disclosure Rules (MDR/DAC6). Cross-border tax arrangements involve residents of various countries and may potentially be used for tax evasion purposes by customers, counterparties or business partners. Looking at de Volksbank's product range and customer profiles throughout the years, we expect the number of reports to be very limited. In 2022, de Volksbank did not report any such arrangements under these regulations.

Taxes paid in 2022

The 2022 total corporate income tax expense of de Volksbank amounted to € 67 million. The effective tax rate was 26.0%, slightly above the 2022 nominal rate of 25.8%. For 2021, the effective tax rate was 25.8%, with a statutory rate of 25%. As de Volksbank has no foreign branches nor participations, it is not subject to any foreign income tax and is therefore not required to draw up a country-by-country report.

Apart from corporate income tax, de Volksbank is subject to several other taxes. These taxes and amounts for 2022 are as follows:

- Payroll tax and social security contributions: € 103 million (2021: € 98 million). These are withheld from employees' wages but, being part of the salary costs, are for the account of and paid by de Volksbank.
- Non-recoverable VAT: € 47 million (2021: € 51 million). Financial services that de Volksbank provides are mostly exempt from VAT. In principle, VAT charged by suppliers to the bank cannot be reclaimed from the tax authorities. Therefore, the non-deductible VAT leads to an additional cost for de Volksbank.
- In 2022, consistent with last year, de Volksbank does not owe any bank tax over 2021 as de Volksbank remains below the exemption threshold of the levy.

Tax risk policy on customers and transactions

De Volksbank's procedures and measures to identify, verify and report customers tax status are compliant with applicable Dutch and international regulations, such as the Common Reporting Standard (CRS) and the Foreign Account Tax Compliance Act (FATCA).

Within the context of the Know Your Customer (KYC) principle for business owners, we also monitor tax attitude and behaviour. De Volksbank does not provide direct tax advice to customers, nor do we facilitate international tax-aggressive structures.

De Volksbank does not want to invest in or provide loans to businesses involved in tax evasion, nor do we support transactions where tax savings are the main objective. A transaction or standpoint should be robust, have sufficient substance and should not have any other negative effects. By this we mean the following:

- The standpoint or transaction is robust if it is consistent with the relevant (tax) laws, regulations and (tax) case law. Prior consultation with the tax authorities could take place.
- The standpoint or transaction in question must have sufficient substance from an economic, business, or social perspective.
- Prior to the transaction or to forming a standpoint a reasonable assessment should be made whether there is a chance of reputational damage or any other material negative consequences.

4.

RISK MANAGEMENT

Reader's guide

IFRS 7 AND PILLAR 3

To combine disclosures where possible and to reduce duplication, the IAS 1 and IFRS 7 information regarding capital management and risks related to financial instruments have been integrated in this chapter. Only if mentioned in the text or if the label 'Audited' is shown at a table is the information part of the audited financial statements.

In addition, a separate Pillar 3 Report has been published on the website www.devolksbank.nl, containing additional information about the risks, risk management and capital adequacy of the bank. This information is required on the basis of CRD IV and CRR, but is not part of the audit performed by the external auditor.

4.1 Risk management structure

4.1.1 Risk management elements

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

Risk appetite statement

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

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

Risk management and shared value

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

BENEFITS FOR CUSTOMERS

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

RESPONSIBILITY FOR SOCIETY

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

GENUINE ATTENTION FOR OUR EMPLOYEES

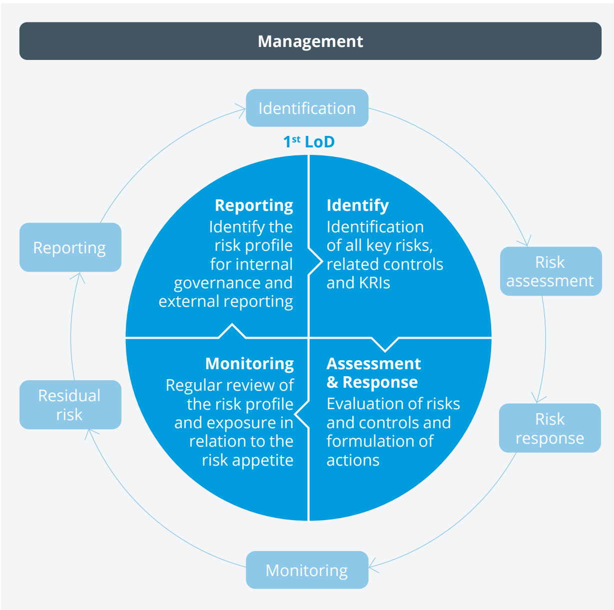
We need motivated and competent people to live up to our mission. We encourage employees' commitment and the development of their expertise by giving them genuine attention.

RETURN FOR THE SHAREHOLDER

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

Risk management framework

To manage risks, de Volksbank applies the COSO[9] Enterprise Risk Management (ERM) Framework. We have set up a Risk Management Cycle (RMC) to properly apply all COSO ERM elements and this serves as a generic tool for both the first line and the second line of defence. The RMC ensures consistent terminology and provides a compatible methodology for the identification, assessment, measurement, monitoring, management and reporting of all risks.



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

Risk governance

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

As from the second quarter of 2022, the Board of Directors as a governing body was re-named Executive Board (ExBo) and was extended to an Executive Committee (ExCo). All risk related subjects are discussed in the ExCo meeting. The ExBo retains the authority to adopt risk related resolutions. However, a risk related resolution of the ExCo, validly adopted in accordance with the ExCo Rules of Procedure will be deemed to be a resolution of the ExBo. For more information, see Section 3. Governance.

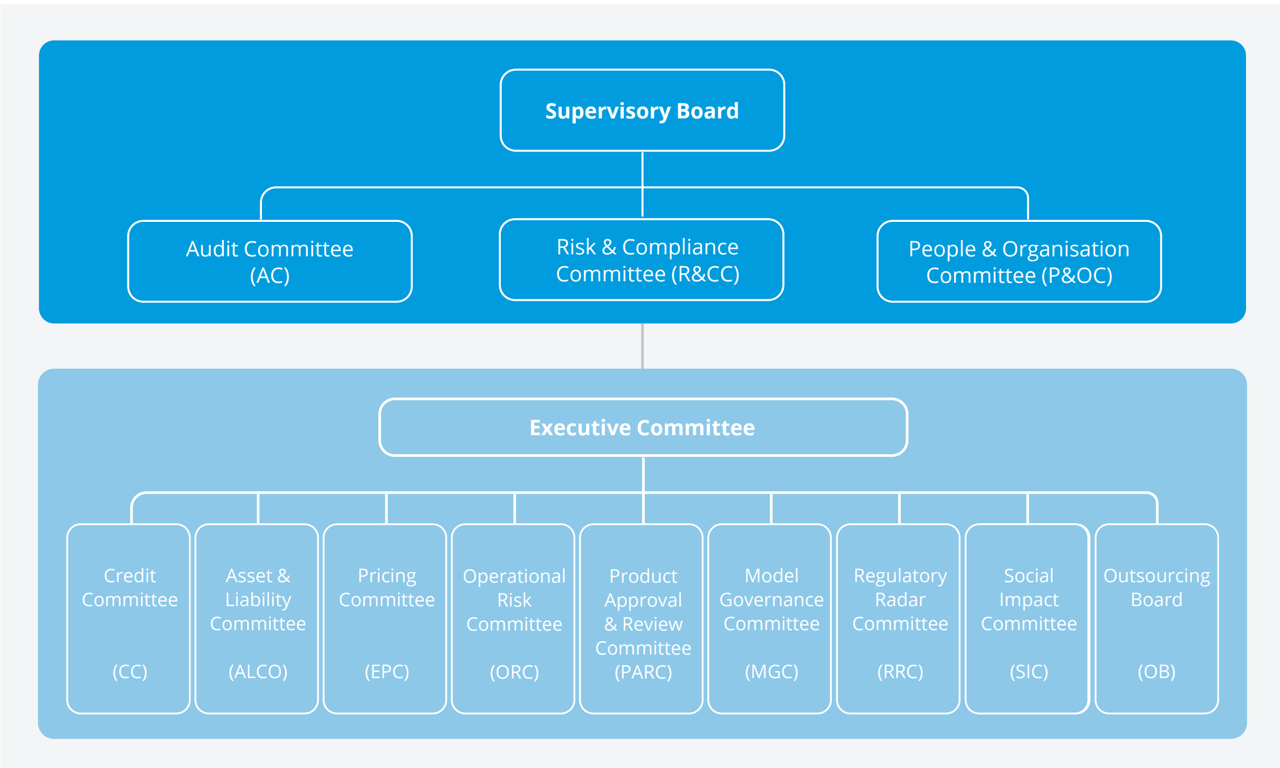
As the ExBo is ultimately accountable for risk management within the organisation, it therefore functions as an overarching bank risk committee, and as such is supported by risk committees composed of representatives from the first and second lines in each committee.

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

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

Changes resulting from the transformation into an agile organisation

In 2022, de Volksbank completed the first phase in the transformation towards an agile way of working, which also had an effect on the risk organisation and risk governance. The governing three lines of defence principles continued to be applied and the risk committees remained unchanged. We did, however, implement changes in the underlying processes, staff functions' responsibilities and memberships of new



staff functions in the risk committees. We set up one new committee for outsourcing risk and one subcommittee for privacy. We also integrated some other subcommittees in the organisation’s dialogues. The design for the risk and compliance domain was completed resulting in two Centres of Expertise for the Risk Management Function and Compliance Function respectively. All second line tasks haven been accommodated in these two Centres of Expertise.

Risk awareness and culture

Risk culture propagation

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

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

Risk Policy Framework

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

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

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

Internal code of conduct

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

Remuneration policy

De Volksbank pursues a remuneration policy that is based on our Manifesto, and the strategy to build a strong customer relationship and increase the social impact of the bank. De Volksbank does not grant any variable remuneration so as to discourage employees from taking undesirable risks that may give priority to short-term individual interests over long-term collective objectives. For more detailed information on our remuneration policy, see Section 3.4 Remuneration report.

Risk profile

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

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

4.1.2 Top risks

De Volksbank primarily carries out regulated and supervised activities that may be impacted by internal and external developments. These developments and related risks may prevent us from reaching our strategic objectives. For more information on the strategic objectives, see Section 1.3 Our strategic progress. To anticipate these developments and related risks, de Volksbank annually carries out a Strategic Risk Assessment (SRA), which identifies and assesses the top risks in relation to its strategy.

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

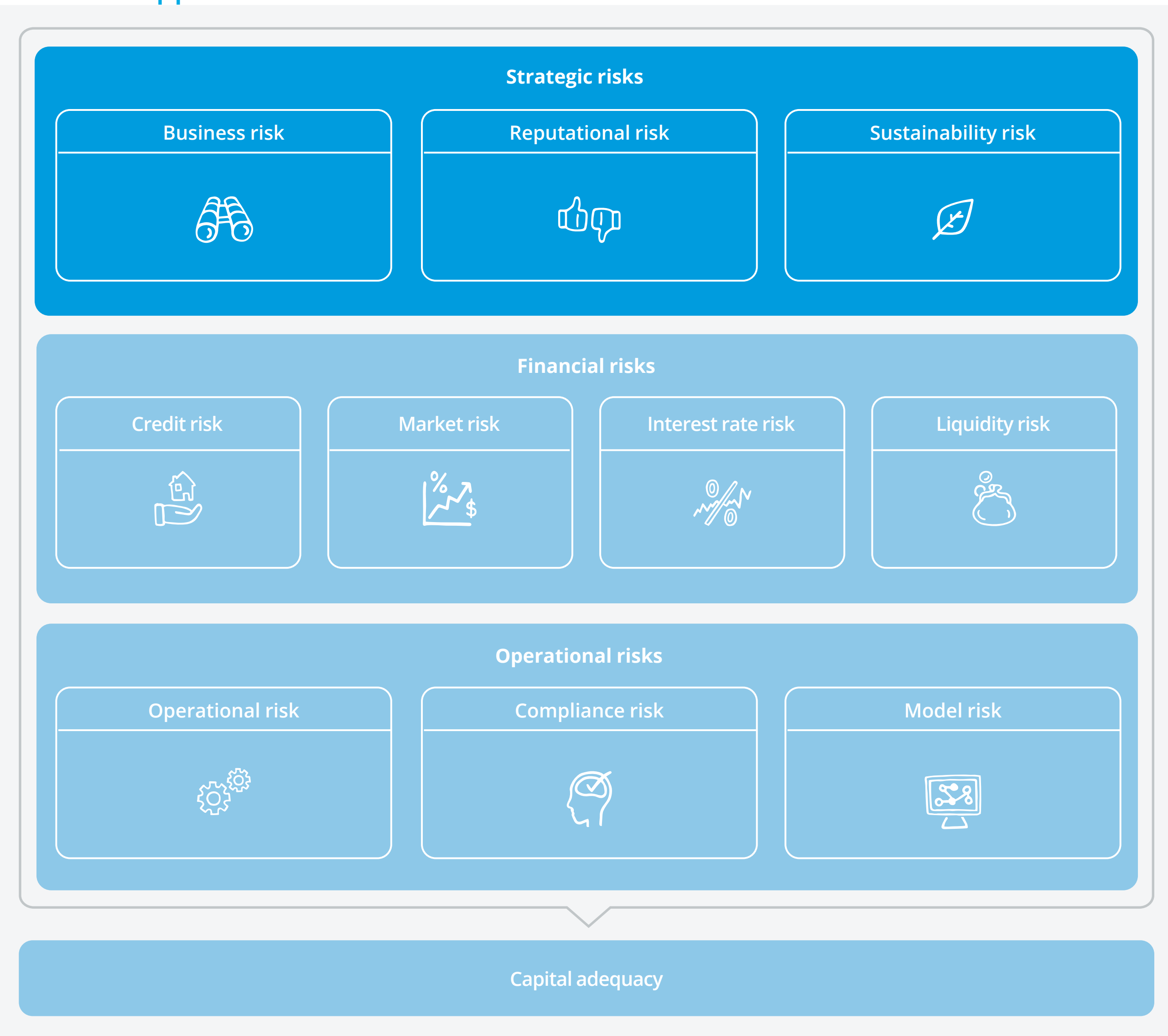
TOP RISKS RESULTING FROM EXTERNAL DEVELOPMENTS

Event	Description of risk and impact	Measures
Geopolitical developments and inflationary pressure	Geopolitical developments (war in Ukraine) and (consequent) price increases affect the state of the Dutch economy and our customers' financial health. There is a risk that customers have difficulty in meeting their financial obligations, which could result in missed payments.	At the start of the geopolitical developments, the second line intensified monitoring and reporting to the ExCo. Currently, the reporting frequency has been scaled down. There has been an extra management overlay on the mortgage provisions to cover the risks involved. Our Arrears Management department has monitored developments even more closely and made operational preparations for a possible increase in inflow. We have kept an extra eye on groups of SME customers and industrial sectors. The Risk Management Function continues to report on changes in the circumstances, which could change the context and the actions the bank is currently taken.
Interest result depends on a yield curve that is currently volatile and inverse	There is a risk that high interest rate volatility results in dependence on the interest income from movements in money market rates and actions from peers. As a result, the stability of net interest margin may decrease and therefore a main source of profitability may depend on external factors.	Strategic forecasts and stress testing provide insight into the impact. Actions have been taken to limit the inflow of excess liquidity and to reduce the dependence on net interest income. We monitor developments in the macroeconomic environment to anticipate trends affecting the interest rate profile, and to align commercial and pricing policies to these developments. We use linear and non-linear instruments to hedge the interest rate exposure.
High demand on organisation due to the increased level of regulatory and supervisory pressure	There is a risk that the bank must meet requirements that place a high demand on the organisation. This could ultimately result in high costs and sanctions, or in delays in the execution of the strategy.	We have coordinated and centralised all communication with the supervisory authorities. We are closely following up on the development of new regulations and an extra implementation budget with resources is incorporated in our strategic plans.
Cybercrime and criminal threats	There is a risk that de Volksbank is not able to adapt rapidly and adequately enough to cybercrime and other criminal threats and that customer relationships suffer as a result. This could affect the availability of our systems and the data or funds of our customers and the bank.	There is an cyber security organisation in place. We are in the process of implementing a continuous improvement plan.
Scarce competences and permanent employability of employees	There is a risk that labour market conditions will hinder the ability to attract and retain employees. Employers in the financial sector and beyond are competing to fill vacancies and retain people, especially in the field of IT, data analytics, compliance and risk. This could cause the bank's performance and change capacity to lag behind.	We encourage employees to develop themselves and embrace lifelong learning. We put effort in being an attractive employer for new and existing staff. For more information see Section 2.2.2 Our activities and employees.

TOP RISKS RESULTING FROM INTERNAL DEVELOPMENTS

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

4.1.3 Risk appetite and risk indicators



All risks that may have a material impact on the risk profile and the strategic goals of the bank are included in de Volksbank's risk taxonomy. We have clustered the main types of risk within the risk taxonomy, i.e. strategic risks, financial risks and operational risks. When the results of the Strategic Risk Assessment (SRA) lead to a new material risk, this risk will be included in the taxonomy. For example, in 2022 we included outsourcing risk as a sub-risk type[10] under operational risk. The main types of risk are discussed in more detail in the remainder of the Risk Management section of this Integrated Annual Report.

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

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

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

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

recovery plan. See Section 4.8.2 Capital management - Management and control for more information.

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

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

Relative score legend

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

Strategic Risks

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

Financial risks

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

Operational (non-financial) risks

Risk Appetite Statement	Relative score	Note to the score
OPERATIONAL RISK • De Volksbank appetite for operational risk is to accept a low level of losses resulting from operational events, negative impact form reporting inssues and reputational damage.		• Operational risk remains out of appetite and multiple improvement plans in the area of i.a. data management, reporting and outsourcing are being executed. These improvement plans, of which we expect the first impact in 2023, are monitored by the Risk Management Function.

Operational (non-financial) risks

Risk Appetite Statement	Relative score	Note to the score
COMPLIANCE RISK • De Volksbank has no tolerance for violations of company standards and values and laws and regulations.		• Compliance Risk is coloured orange and is expected to remain so in 2023. Improvement plans are ongoing to bring compliance risk within our risk appetite. The progress of these improvement plans are monitored by the Compliance Function. For more information, see Section 4.5 Operational (non-financial) risks - Compliance risk.
MODEL RISK • De Volksbank strives to reduce model risk by having models in place which represent the actual risks in products and portfolios, which comply with rules and regulations. The remaining model risk is mitigated by allocating capital reserves to model risk and optimising the quality of model development and use, while simultaneously weighing the resources required to improve this quality. De Volksbank only accepts a limited number of models that have not been validated or for which the validation period has expired.		• Model risk is coloured orange. Although there are some early signs that point towards improvement of the risk profile, no significant and structural improvements have been observed so far. Given the long throughput time to make new or updated models, and have them validated, this may take time to materialise.

Capital adequacy

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

STRESS TESTING

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

For the use of stress tests in relation to credit risk, market risk, liquidity risk and capitalisation, refer to Sections 4.3.2 Credit risk - Management and control, 4.4.2 Market risk - Management and control, 4.6.2 Liquidity risk management and funding strategy - Management and control, 4.8.2 Capital management - Management and control. For more information on the continued development of climate stress testing, see Section 4.9.3 Sustainability risk - Areas of focus and activities.

4.2 Strategic risks

Strategic risks are closely related to the bank's strategy and business model, and can have an impact on the desired and expected value creation.

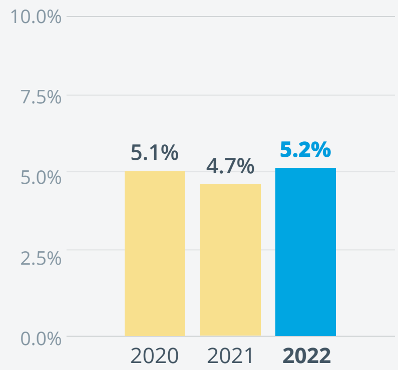
Strategic risks

Business risk

Sustainability risk

Reputational risk

Return on Equity



INTRODUCTION

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

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

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

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

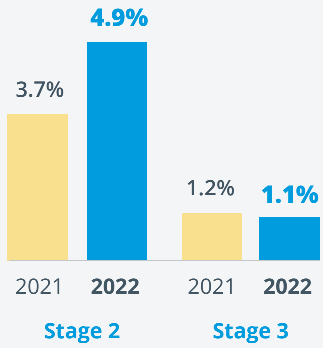
Type of risk	Developments in 2022
BUSINESS RISK • Business risk is defined as the risk that de Volksbank's profitability may not be sufficient to guarantee the viability and sustainability of the bank's earnings model. We define the viability of the earnings model as the extent to which the bank is capable of generating acceptable revenues in the next twelve months. The sustainability of the earnings model is defined as the extent to which the bank is capable of generating acceptable revenues over a three-year horizon. Also part of this risk type is the bank's ability to adapt to changed circumstances and transform itself.	• Increasing interest rates supported the bank's net interest income growth especially after the ECB raised the short-term interest rate. The cost/income ratio decreased in 2022 but is in the orange 'stress' zone based on the Risk Appetite Statement-indicator. Excess liquidity is still relatively high. De Volksbank set an Operational Plan for the 2023-2026 period. The plan sets mission-driven objectives for growth and improvement. It also provides a path with actions leading towards the required financial performance level. For more information on ongoing and future actions See Section 1.2 Our Strategy. • The introduction of the basic banking package is a step towards growth in fee income. • De Volksbank continuously monitors its environment, assesses relevant developments and determines how to respond to them. To improve our adaptability to the environment, we made a start towards an agile way of working which is part of our Strategic Plan 2021-2025. Our risk management framework monitored whether the risk assessments on the organisational transformations were carried out in accordance with the prescribed methodology. Change portfolio management is important to mitigate organisational risks. We also continued to refine improvements made in previous years, such as reporting on the identified risks and risk-response effectiveness.

Type of risk	Developments in 2022
REPUTATIONAL RISK • Reputational risk is the risk that de Volksbank becomes subject to negative public opinion due to internal or external events, which may negatively impact the ability of de Volksbank to attract and retain (the support of) customers, employees, investors or supervisory and regulatory authorities. Reputational risks may be related to our own conduct in events that have public attention, but also to policy decisions, our day-to-day actions and issues regarding products or the behaviour of individual employees.	• The two main pillars of our strategy, strengthening the relationship with our customers and having a positive and measurable impact on society, were and will continue to be key in maintaining the good reputation of de Volksbank and its brands. While many activities of de Volksbank and its brands continue to support de Volksbank's reputation, other developments such as the introduction of a monthly rate for basic banking services have affected the relationship with some of our customers. This is reflected in the developments of our Net Promotor Score and Customer Relation Score, which did not rise on average in 2022. • Last year, de Volksbank was not subject of any (media) events causing lasting reputational harm. The majority of media exposure on de Volksbank and its brands has been positive and the impact of any negative media attention was limited. Nevertheless, the speed and impact of digital and social media continue to make consistent monitoring and adequate responses to reputational risks necessary. De Volksbank actively monitors current and upcoming internal and external events that may result in reputational damage for the bank and its brands. To further support these efforts, we implement a more advanced tooling to monitor our reputation in 2022.
SUSTAINABILITY RISK • Sustainability risk is the risk of financial and/or reputational damage as a result of environmental, social and governance developments.	• The developments concerning sustainability risk are elaborated in Section 4.9 Sustainability risk

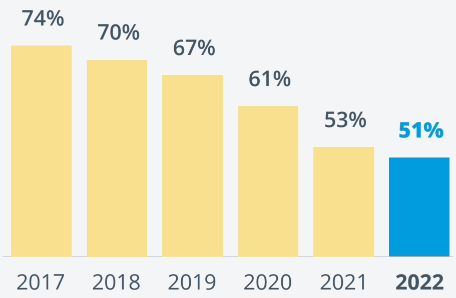
4.3 Credit risk

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

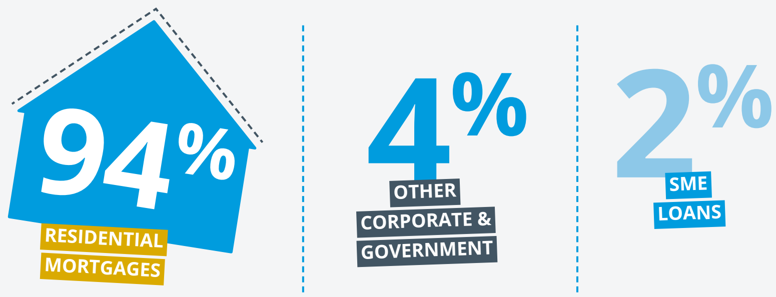
Stage 2 and stage 3 loans expressed as a % of the total loans and advances



Average Loan-to-Value of residential mortgages



Loans and advances to customers[1]



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

Within de Volksbank, we define credit risk as 'the risk that the bank suffers a financial loss or a material decrease in solvency, due to the fact that a borrower or counterparty does not meet the financial or other contractual obligations to the bank, or due to a significant deterioration of the creditworthiness of the specific borrower or counterparty'.

4.3.1 Risk profile

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

We use specific criteria to allocate customers and loans to a particular portfolio. One criterion is the type of customer: a natural person, an SME customer, a government authority or a financial institution.

We also make a distinction between secured loans, such as mortgage loans, and unsecured loans, such as revolving credits, credit facilities on current accounts and personal loans.

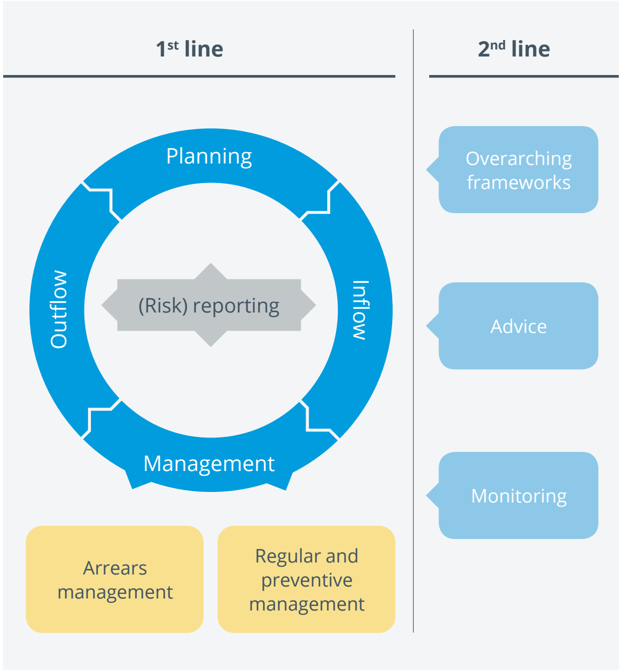
We also distinguish between the various degrees of security, i.e. a government guarantee, or a guarantee issued by a fund, such as the National Mortgage Guarantee (NHG). In our risk policies, we also set exposure limits to a single counterparty, in order to avoid excessive losses if the counterparty in question can no longer meet its obligations. These limits are regularly reassessed.

To ensure effective monitoring and the timely implementation of mitigating actions, de Volksbank draws up reports in line with the portfolio clusters. The paragraphs in this section successively describe in more detail how we manage and control the various loan portfolios, how we apply our provisioning methodology for each portfolio and how we characterise the underlying risk drivers.

4.3.2 Management and control

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

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



REPORTING

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

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

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

LOAN PORTFOLIOS

Residential mortgages

When providing a new mortgage loan, we apply internal standards, which are in line with the applicable legal frameworks, such as a customer's income and the collateral value. We also use the acceptance scorecard to predict whether customers are able to comply with their long-term obligations. For more information on risk-mitigation measures, see Section 4.3.5 Risk mitigation.

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

Interest-only mortgages

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

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

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

Preventive management and arrears management for retail customers

De Volksbank regards customer trust as the basis for a long-term relationship. We manage the credit risk through an active and specific policy for customers who are in arrears or are expected to fall into arrears within 12 months. If there is reason to doubt the ability of a customer to fulfil his or her obligation to the bank in accordance with the agreed terms, the Preventive Management department contacts the customer. After examining the situation, Preventive Management assesses if a solution needs to be found for the customer, if offering a consultation with a financial coach is a possibility, and if such a solution is within the commercial mandate. If this is not the case, the customer is transferred to the Arrears Management department.

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

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

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

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

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

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

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

Consumer loans

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

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

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

In 2021, there were various rulings on the interpretations and use of variable interest clauses in revolving credits for consumers loans and mortgage products at other Dutch Banks. De Volksbank compensates customers with a revolving consumer credit and customers on their overdraft facilities in accordance to the Kifid ruling. For more information, see note 16 Provisions in the Financial statements.

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

SME loans

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

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

Preventive management and arrears management for SME customers

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

Other corporate and government loans

This portfolio is made up almost entirely of the two sub-portfolios of ASN Bank: sustainable loans and private loans. In addition, through our Financial

Markets portfolio we provide various loans to other financial institutions and central and regional governments. Below, we describe what the two sub-portfolios entail.

ASN Bank sustainable loans

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

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

Private placement loans

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

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

Preventive management and arrears management ASN Bank loan portfolios

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

Investments

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

Loans and advances to banks

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

STRESS TESTING AND SENSITIVITY ANALYSES

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

Just like other banks, we are sensitive to these fluctuations. However, thanks to its strong capital and liquidity position, de Volksbank has proven to be capable of withstanding the extreme scenarios applied in these stress tests. For further details, see Section 4.8.2 Capital management - Management and control.

4.3.3 Provisioning methodology Audited

LOAN LOSS PROVISIONS (IFRS 9)

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

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

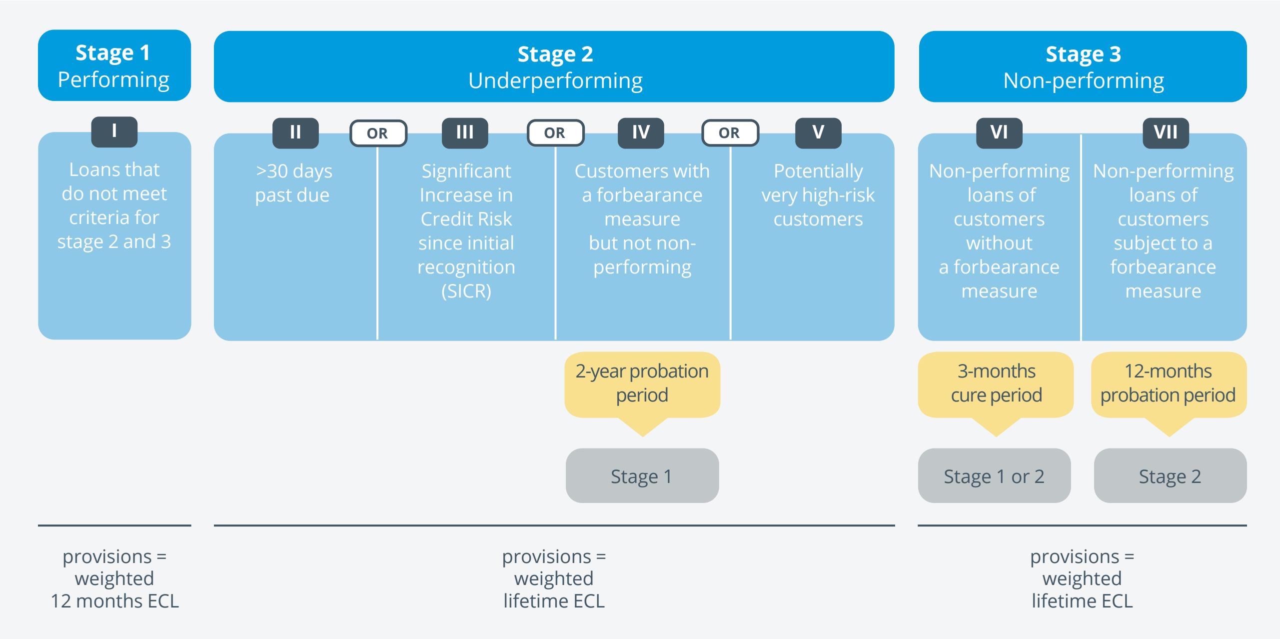
ECL MODELS AND LOAN PORTFOLIOS

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

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

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

STAGE ALLOCATION



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

Stage 1: 12-month ECL (category I)

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

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

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

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

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

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

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

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

For the other loan portfolios, a significant deterioration in credit risk is assessed as follows:

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

pre-determined relative and absolute limits are exceeded, the bond or loan will be allocated to stage 2.

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

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

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

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

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

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

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

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

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

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

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

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

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

RISK MANAGEMENT OF ECL MODELS

We calculate the various risks in the aforementioned portfolios at customer level on a monthly basis by means of our credit risk models. Monitoring the development of the customer and the portfolio is essential if we make proper estimates of the loss expected. We have provisions in place for expected losses and we maintain capital for unexpected credit losses.

MODEL TECHNIQUES

To arrive at the ECL models, we use various techniques for the individual portfolios.

Residential mortgages, SME loans and ASN Bank loan portfolio

We use the survival model technique for the residential mortgage loans, SME loans and the ASN Bank loan portfolio. This is a method to calculate the month-on-month Probability of Default (PD), Probability of Cure and Probability of Foreclosure. These models determine the creditworthiness of the customer over two periods: 1) a 12-month period; i.e. we calculate the probability of the customer defaulting on payments in the next 12 months (also known as the '12-month PD'), and 2) the remaining term of the loan; i.e. we calculate the probability of the customer defaulting on payments at any time during the remaining term of the loan (also known as the 'lifetime PD').

The total expected credit loss (ECL) is determined by multiplying customers' PDs with the amount of loss expected in case of default (LGD) and the customer's exposure at default (EAD).

Enhanced provisioning model

We made a change in estimate in 2022 when determining the provisions for residential mortgages. The most important change was the implementation of the updated IFRS 9 Expected Credit Loss (ECL) model for residential mortgages, which contains model refinements i.a. with regard to interest-only mortgages. This had an increasing impact of € 29 million on the provision for credit risk as at 31 December 2022.

Consumer loans

We apply an expert-based model to determine stage allocation and provisioning for consumer loans, consisting of personal loans, revolving credit and overdraft facilities (credit limits on current accounts). The model calculates an individual PD at customer level and ranks consumer contracts from low to high risk based on risk parameters. These risk parameters include the registered arrears, use of the limit available and the date of origination. Contracts are then allocated to stages based on their credit ranking (rating). We use historical observations (default rates) to set an average PD for each stage, and the LGD is a result of the expert judgement based on historical data. We determine the ECL by multiplying the stage-dependent PD and product-specific LGD by the amount of the credit facility.

Financial Markets portfolio

For ECL of the Financial Markets portfolio, we use a model in which the PD is derived from spreads on Credit Default Swap (CDS) curves. Specific CDS curves have been selected for various portfolio components. The ECL is the sum of the cumulative PDs multiplied by the cumulative discounted cashflows multiplied by the LGD factor. ECL stage migration for underperforming financial instruments is based on numerical as well as qualitative triggers, such as significant increases in PD as well as three notch credit rating downgrades. These credit ratings originate from well-known rating agencies such as S&P and Moody's.

FORWARD-LOOKING INFORMATION

We use three scenarios in our provisions calculations, in which we also make forward-looking information available. The three scenarios describe the expected macroeconomic forecast (baseline scenario) as well as a downside and upside development. An independent team of macroeconomic experts estimates forward-looking trends based on various macroeconomic parameters for each scenario. In making these estimates, these experts also look at trends and forecasts of external parties, such as Eurostat, Statistics Netherlands (CBS) and the Netherlands Bureau for Economic Policy Analysis (CPB). All three scenarios describe a realistic development of the macroeconomy.

Weights are also assigned to the scenarios based on the probability of the scenario becoming a reality. The development of macroeconomic parameters is predicted four years ahead. After that period, the ECL models extrapolate the values of the macroeconomic variables to a long-term average. A 12-month ECL and a lifetime ECL are calculated for each of the three scenarios and for each customer, on a monthly basis. The scenario weights are used to calculate a weighted average 12-month ECL and a lifetime ECL.

For residential mortgages, we use the following macroeconomic parameters: the relative change in house prices i.e. the house price index, and the unemployment rate. For SME loans, we use the unemployment rate and the number of bankruptcies. In the model for consumer loans, we only use the unemployment rate as a macroeconomic parameter. All macroeconomic parameters of the ECL models for residential mortgages, consumer loans and SME loans are related to the developments in the Netherlands. In the Financial Markets and ASN Bank ECL model, the macroeconomic impact is incorporated in the CDS curves used.

The Asset and Liability Committee (ALCO) approves the scenarios and the corresponding weights. The scenarios that are used to determine the provisions are also used to draw up our Operational Plan. The scenarios and the weights are assessed on a quarterly basis and adjusted where necessary.

The parameters used in the three scenarios are presented in Section 4.3.4 Figures, ratios and trends.

WRITE-OFF

When writing off a loan, we make a distinction between the waiver of amounts payable and the write-off of a residual debt. The following is a description of these terms:

1. Waiver of amounts payable: a (part of the) loan is written off if the waiver of amounts payable leads to the customer's recovery. The consequence of this is that the customer can meet his or her payment obligations again. Waivers of amounts payable are debited to the credit provision;
2. Write-off of residual debt: there may be a residual debt as a result of a recovery process. This residual debt is fully provisioned for. Any collateral is realised during a period of 6 months after the execution process. After this period, any remaining debt is written off.

MANAGEMENT OVERLAY

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

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

CREDIT RISK IN CAPITAL ADEQUACY

To determine capital requirements for credit risk of residential mortgages, de Volksbank uses the Advanced Internal Ratings-based (AIRB) approach. The AIRB approach measures credit risk by using internal models for the calculation of PD and LGD.

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

Definition of Default (DoD)

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

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

4.3.4 Figures, ratios and trends Audited

CREDIT RISK EXPOSURE

The following table presents the credit risk exposure based on the Exposure at Default (EAD) from the regulatory report (see also Section 4.8.4 Figures, ratios and trends - Risk-weighted assets). The provisions have been deducted from the receivables, but any collateral or other credit risk mitigating instruments have been disregarded.

Credit risk exposure Audited

in € millions	2022			2021		
	Gross carrying amount	Provision for credit losses	Book value	Gross carrying amount	Provision for credit losses	Book value
Cash and cash equivalents	8,011	--	8,011	10,305	--	10,305
Derivatives	3,302	--	3,302	591	--	591
Investments	5,598	-7	5,591	5,640	-2	5,638
Loans and advances to banks	6,889	-5	6,884	4,527	--	4,527
Loans and advances to customers	49,120	-154	48,966	50,677	-107	50,570
Other assets	249	--	249	318	--	318
Total financial assets	**73,169**	**-166**	**73,003**	**72,058**	**-109**	**71,949**
IFRS fair value adjustments[1]	2,040		2,040	-810		-810
Total items not subject to credit risk exposure	**2,040**		**2,040**	**-810**		**-810**
On-balance sheet exposure to credit risk (IFRS)	**75,209**	**-166**	**75,043**	**71,248**	**-109**	**71,139**
Loan commitments given	2,204	-10	2,194	2,504	-8	2,496
Other commitments (repurchase commitment)[2]	394	--	394	464	--	464
Financial guarantees and other commitments	5	--	5	11	--	11
Conditionally revocable credit facilities	395	-4	391	407	-5	402
Off-balance sheet exposure to credit risk (IFRS)	**2,998**	**-14**	**2,984**	**3,386**	**-13**	**3,373**
Maximum exposure to credit risk	**78,207**	**-180**	**78,027**	**74,634**	**-122**	**74,512**
Other assets[3]	152	--	152	131	--	132
Valuation adjustments[4]			-3,326			-549
Recalculation off-balance credit facilities and guarantees to EAD[5]			-735			-726
Adjustment for AIRB provisions			98			73
Other differences[6]			-35			6
Total Exposures at Default			**74,181**			**73,448**
Credit risk RWA/Total Exposure at Default			17.4%			13.0%

1 Consist of fair value adjustments from hedge accounting and amortisations.
2 For more information please refer to note 20 Contingent liabilities and commitments to the consolidated financial statements.
3 Assets that are not subject to ECL according to IFRS.
4 Consists mainly of the balance of netting derivative positions and an add-on for potential future exposure and credit risk mitigating items (particularly collateral).
5 Off-balance sheet commitments are converted into EAD using a conversion factor.
6 Consists in 2022 mainly of debt securities subject to market risk and deferred tax liabilities netted against deferred tax assets.

The maximal exposure to credit risk increased over the course of 2022 from € 74.5 billion to € 78.0 billion. Representing 67% of the total, the loans and advances to customers category is the largest on the balance sheet. Therefore, in order to provide a meaningful view of the credit risk of our loan portfolio, the remainder of this section mainly relates to the loans and advances to customers.

Cash and cash equivalents includes DNB deposits and loans and advances to credit institutions with a remaining maturity of less than one month. For more information, please refer to Note 2 Cash and cash equivalents to the consolidated financial statements. The derivatives position mainly ensues from the hedging of the interest rate risk in the banking book, including the securitisation programmes. For more information about derivatives please refer to Note 3 Derivatives and Note 4 Hedging and hedge accounting to the consolidated financial statements. Investments mainly consist of government bonds of EU Member States. For more information, please refer to Note 5 Investments to the consolidated financial statements.

Loans and advances to banks were up from year-end 2021, mainly driven by liquidity management actions. For more information, please refer to Note 6 Loans and advances to banks to the consolidated financial statements.

LOANS AND ADVANCES TO CUSTOMERS BY CATEGORY AND REGION

Loans and advances to customers Audited

in € millions	2022			2021		
	Gross carrying amount	Provision for credit losses	Book value	Gross carrying amount	Provision for credit losses	Book value
Residential mortgages	46,232[1]	-98	46,134	48,018[1]	-73	47,945
Consumer loans	54	-9	45	52	-10	42
Exposure retail loans	**46,286**	**-107**	**46,179**	**48,070**	**-83**	**47,987**
SME loans	1,085	-24	1,061	830	-23	807
Other corporate and government loans	1,749	-23	1,726	1,777	-1	1,776
Total loans and advances to customers	**49,120**	**-154**	**48,966**	**50,677**	**-107**	**50,570**
Off-balance sheet items	2,998	-14	2,984	3,386	-13	3,402
Total on and off-balance sheet items for loans and advances to customers	**52,118**	**-168**	**51,950**	**54,063**	**-120**	**53,972**

1 Including IFRS value adjustments of € 2,040 million negative (2021: € 810 million positive), consisting of fair value adjustments from hedge accounting and amortisations.

Loans and advances by region

Book value in € millions	2022	2021
The Netherlands	48,014	49,608
EMU excl. the Netherlands	661	601
Other	291	361
Total	**48,966**	**50,570**

MAIN DEVELOPMENTS IN 2022

In 2022, total loans and advances to customers decreased by € 1.6 billion to € 49.1billion. This was attributable to negative IFRS fair value adjustments, which decreased by € 2.9 billion due to the increase in interest rates. Excluding the fair value adjustments and amortisation, gross growth amounted to € 1.3 billion, mainly attributable to the gross growth in residential mortgages by € 1.1 billion.

In addition, the total outstanding amount of SME loans rose by € 255 million. Other corporate and government loans contracted by € 28 million, while consumer loans remained virtually stable.

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

For more details on the provision for credit losses, see the Section Management overlay and the Sections per portfolio later in this Section Credit risk.

General approach to customer services

The Russia-Ukraine war, accompanied by high food and energy prices and the continued supply-chain problems, put pressure on global economies. To keep emerging risks under control we tightened a number of acceptance policy rules for residential mortgages. For example, for customers in certain risk categories we lowered the maximum Loan-to-Value for interest-only mortgages from 50% to 40% of the property's market value.

The SME loan portfolio was not directly affected by the Russia-Ukraine war. At this moment, we do not yet see a reason to tighten the acceptance criteria for SME loans. We do, however, expect rising inflation to have some impact in the future and carefully monitor developments.

In 2020, in response to the Covid-19 crisis, we adjusted our approach to supporting customers who suffered from the economic impact of the pandemic. In 2021, we continued to offer financial support to customers who had trouble repaying their mortgage or consumer loan due to Covid-19. By the end of 2022, we recorded little to no credit deterioration in our loan portfolios as a result of the pandemic. This was mainly on account of government support measures for corporates taken in the past two years and to our timely provision of customer support.

Loans and advances to customers by stage Audited

	2022				2021			
in € millions	Gross carrying amount	Provision for credit losses	Stage ratio	Coverage ratio	Gross carrying amount	Provision for credit losses	Stage ratio	Coverage ratio
STAGE 1								
Residential mortgages	45,499	-38	94.3%	0.1%	45,102	-32	95.5%	0.1%
Consumer loans	22	--	40.7%	0.0%	28	--	53.8%	0.0%
SME loans	933	-6	86.0%	0.6%	652	-6	78.6%	0.9%
Other corporate and government loans	1,665	-1	95.2%	0.1%	1,653	-1	93.0%	0.1%
Total loans and advances to customers stage 1	**48,119**	**-45**	**94.1%**	**0.1%**	**47,435**	**-39**	**95.1%**	**0.1%**
STAGE 2								
Residential mortgages	2,320	-31	4.8%	1.3%	1,575	-24	3.3%	1.5%
Consumer loans	23	-1	42.6%	4.3%	14	--	26.9%	0.0%
SME loans	106	-7	9.8%	6.6%	112	-4	13.5%	3.6%
Other corporate and government loans	43	--	2.5%	0.0%	124	--	7.0%	0.0%
Total loans and advances to customers stage 2	**2,492**	**-39**	**4.9%**	**1.6%**	**1,825**	**-28**	**3.7%**	**1.5%**
STAGE 3								
Residential mortgages	453	-29	0.9%	6.4%	531	-17	1.1%	3.2%
Consumer loans	9	-8	16.7%	88.9%	10	-10	19.2%	100.0%
SME loans	46	-11	4.2%	23.9%	66	-13	8.0%	19.7%
Other corporate and government loans	41	-22	2.3%	53.7%	--	--	0.0%	--
Total loans and advances to customers stage 3	**549**	**-70**	**1.1%**	**12.8%**	**607**	**-40**	**1.2%**	**6.6%**
TOTAL STAGE 1, 2 AND 3								
Residential mortgages	48,272	-98		0.2%	47,208	-73		0.2%
Consumer loans	54	-9		16.7%	52	-10		19.2%
SME loans[1]	1,085	-24		2.2%	830	-23		2.8%
Other corporate and government loans	1,749	-23		1.3%	1,777	-1		0.1%
Total loans and advances to customers excluding IFRS value adjustments	**51,160**	**-154**		**0.3%**	**49,867**	**-107**		**0.2%**
IFRS value adjustments[2]	-2,040				810			
Total loans and advances to customers	**49,120**	**-154**		**0.3%**	**50,677**	**-107**		**0.2%**
Off-balance sheet items stage 1	2,938	-8		0.3%	3,343	-7		0.2%
Off-balance sheet items stage 2	47	-2		4.3%	31	-1		3.2%
Off-balance sheet items stage 3	13	-4		30.8%	12	-5		41.7%
Total off-balance sheet items[3]	**2,998**	**-14**		**0.5%**	**3,386**	**-13**		**0.4%**
Total on and off-balance sheet items for loans and advances to customers	**52,118**	**-168**		**0.3%**	**54,063**	**-120**		**0.2%**

1 Gross SME loans include mortgage-backed loans for a gross amount of € 939 million (31-12-2021: € 803 million).

2 Consist of fair value adjustments from hedge accounting and amortisations.

3 Consist of off-balance sheet facilities (of which € 401 million conditionally revocable; 31-12-2021: € 407 million), guarantees and repurchase commitments.

Changes in loans and advances to customers (gross carrying amount) Audited

	Residential mortgages		Consumer loans		SME loans		Other corporate and government loans		Total loans	
in € millions	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Opening balance	**48,018**	**47,808**	**52**	**63**	**830**	**724**	**1,777**	**2,113**	**50,677**	**50,708**
Reclassifications	--	-146	--	--	--	-11	--	--	--	-157
Originated or purchased[1]	7,417	8,086	12	2	321	219	4,868	4,229	12,618	12,536
Change in current accounts		--	-5	-9	-27	-21	8	-6	-24	-36
Matured or sold[1]	-6,364	-6,972	-3	-1	-39	-80	-4,923	-4,583	-11,329	-11,636
Write-offs	-1	-2	-1	-3	-1	-1		--	-3	-6
Change in fair value as a result of hedge accounting	-2,863	-723	--	--	--	--	-1	-1	-2,864	-724
Amortisations	13	-38	--	--	--	--		--	13	-38
Exchange rate differences		--	--	--	--	--	21	27	21	27
Other movements	12	5	-1	--	1	--	-1	-2	11	3
Closing balance	**46,232**	**48,018**	**54**	**52**	**1,085**	**830**	**1,749**	**1,777**	**49,120**	**50,677**

1 At Other corporate and government loans, there are short-term deposits with governments and pension funds in particular, with the advances and repayments being administered on a daily basis.

Changes in the provision for credit losses Audited

	Residential mortgages		Consumer loans		SME loans		Other corporate and government loans		Total loans		Off-balance[1]	
in € millions	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Opening balance	**73**	**111**	**10**	**12**	**23**	**38**	**1**	**5**	**107**	**166**	**13**	**5**
Transfer to stage 1	-3	-12	--	-1	-3	-1	--	-1	-6	-15	--	--
Transfer to stage 2	4	-3	-1	-3	2	-4	--	-3	5	-13	-1	-1
Transfer to stage 3	4	1	1	1	2	1	22	--	29	3	1	--
Change in credit risk	-2	-30	-1	3	1	-4	--	--	-2	-31	-1	--
Originated or purchased	11	8	1	--	3	3	--	1	15	12	3	1
Matured or sold	-1	-10	--	--	-2	-5	--	-1	-3	-16	-1	--
Change in models	28	1	--	1	--	-1	--	--	28	1	1	3
Change in management overlay	-15	9	--	--	-1	-3	--	--	-16	6	-1	5
Impairment charges (releases)	**26**	**-36**	**--**	**1**	**2**	**-14**	**22**	**-4**	**50**	**-53**	**1**	**8**
Write-offs	-1	-2	-1	-3	-1	-1	--	--	-3	-6	--	--
Closing balance	**98**	**73**	**9**	**10**	**24**	**23**	**23**	**1**	**154**	**107**	**14**	**13**
Of which: management overlay	*42*	*56*	--	--	*4*	*5*	--	--	*46*	*61*	*5*	*6*
Impairment charges (releases)	26	-36	--	1	2	-14	22	-4	50	-53	1	8
Recoveries and other charges through P&L	-10	-15	-2	-1	--	1	--	--	-12	-15	--	--
Total impairment charges (releases)[2]	**16**	**-51**	**-2**	**--**	**2**	**-13**	**22**	**-4**	**38**	**-68**	**1**	**8**

1 Off-balance sheet: liabilities from irrevocable facilities, guarantees and repurchase commitments. The provision for credit losses of off-balance sheet items is reported in Provisions.

2 The total impairment charges (releases) for the period excludes charges (releases) for loans and advances to banks and investments, these amount to € 13 million (2021: € 2 million).

MANAGEMENT OVERLAY

In mid-2020, in response to the extraordinary level of economic uncertainty related to the Covid-19 pandemic and the subsequent lockdowns, de Volksbank introduced management overlays in its provisioning for residential mortgages and SME loans, i.e. a Covid-19-related management overlay and a general management overlay. At the end of March 2022, all Covid-19 restrictions in the Netherlands were lifted. As we did not see a Covid-19 related deterioration of the credit quality of our portfolio as shown by back testing, we released the Covid-19-related management overlay.

We also released the general management overlay which was introduced to absorb a decrease in house prices based on the one-year backwards House Price Index (HPI) recorded by Statistics Netherlands (CBS); decreasing house prices are captured in our macroeconomic forecasts and as such drove the overlay down until it evaporated. The year-on-year growth recorded by CBS fell from 20.4% in December 2021 to 2.7% in December 2022. The release of the management overlay is offset by higher modelled provisions on account of the lower expected HPI in the macroeconomic forecasts.

The Covid-19 pandemic left scars in several supply chains, resulting in an imbalance between supply and demand and an increase in inflation. The Russia-Ukraine war amplified this increase, particularly because of higher energy prices, affecting almost every business. Inflation can cause financial strain for households, especially for customers who recently originated a loan with a high loan-to-income ratio. To cover this risk, we introduced a management overlay in the amount of € 24 million.

To mitigate the risk of falling house prices for interest-only mortgages in particular, as these loans do not decline over time, we formed a management overlay of € 4 million, based on the HPI change of our macroeconomic forecasts. Additionally, stage triggers for interest-only mortgages were revised by extending the scope of potentially high-risk interest-only mortgages. This estimate change resulted in an € 8 million increase in the provision for credit risk as at 31 December 2022. Together with € 11 million for model limitations, this makes up the general management overlay of € 47 million for our residential mortgage portfolio.

We formed a general management overlay of € 4 million for SME customers who may be affected by inflation, increased gas and energy prices and the Russia-Ukraine war in combination with bleaker cashflow forecasts (caused by the less favourable macroeconomic conditions).

There is no expert overlay in place for consumer loans nor for other corporate and government loans.
We review the elements of the management overlay at least every quarter.

Modelled and post-modelled provision for credit losses[1] Audited

in € millions	2022				2021			
		Post-model adjustments				Post-model adjustments		
	Modelled provision for credit losses	General management overlay	Covid-19 related management overlay	Total provision for credit losses	Modelled provision for credit losses	General management overlay	Covid-19 related management overlay	Total provision for credit losses
Residential mortgages	59	47	--	106	18	54	8	80
Consumer loans	13	--	--	13	15	--	--	15
SME loans	21	4	--	25	19	--	5	24
Other corporate and government loans	24	--	--	24	1	--	--	1
Total	**117**	**51**	**--**	**168**	**53**	**54**	**13**	**120**

1 Including the provision for credit losses for off-balance sheet items.

MACROECONOMIC SCENARIOS AND SENSITIVITY

The Russia-Ukraine war set the Dutch economy, which had not yet fully recovered from the Covid-19 crisis, on a course of slower growth and rising inflation. Although house prices continued to rise to 13.6% on average in 2022, they went down on a month-on-month basis since August. Mortgage rates rose, for example the Dutch 10-year fixed mortgage rate rose to 4.1% from 1.1% at year-end 2021.
De Volksbank adjusted its macroeconomic forecasts to the new reality. The forecasts for the unemployment rate, bankruptcies, HPI change and the volume of housing transactions deteriorated in all scenarios (upward, base and downward) compared to the fourth quarter of 2021. Scenario weights were kept unchanged.

Analysis of sensitivity to scenario weights

The sensitivity analyses in the tables below show de Volksbank's macroeconomic projections for the next four years. They also show the sensitivity of provisioning levels to the upward, base and downward scenario weights, keeping the management overlay parameters constant. If we look at the different scenarios as at 31 December 2022 with a 100% weighting, we see that the provision for residential mortgages would increase by € 29 million in a downward scenario, decrease by € 35 million in an upward scenario and decrease by € 10 million in a baseline scenario.

The sensitivity to macroeconomic expectations on the loan loss provisions for SME loans is less significant. The provision for SME loans would increase by € 2 million in a downward scenario, decrease by € 2 million in an upward scenario and decrease by € 1 million in a baseline scenario, again assuming a 100% weighting of the respective scenarios.

For consumer loans and other corporate and government loans, the sensitivity to the scenario weights is limited since the provisions in stage 1 and 2 for consumer loans are relatively low and other corporate and government loans generally have a low credit risk profile.

Sensitivity to the scenario weights as at 31 December 2022[1] Audited

	Macroeconomic parameter	2022	2023	2024	2025	2026	Weight	Unweighted ECL	Reported (weighted) ECL
RESIDENTIAL MORTGAGES									
Up	Relative change in house price index	7.0%	0.9%	4.0%	3.8%	3.8%	15%	€ 71 million	
	Unemployment rate	3.7%	3.9%	3.9%	3.9%	3.9%			
Base	Relative change in house price index	4.5%	-5.6%	4.1%	3.8%	3.8%	50%	€ 96 million	€ 106 million[2]
	Unemployment rate	4.0%	4.6%	4.2%	4.2%	4.2%			
Down	Relative change in house price index	3.2%	-9.9%	1.8%	3.8%	3.8%	35%	€ 135 million	
	Unemployment rate	4.2%	6.3%	6.5%	5.4%	4.5%			
SME LOANS									
Up	Unemployment rate	3.7%	3.9%	3.9%	3.9%	3.9%	15%	€ 23 million	
	Number of bankruptcies (monthly)	189	267	310	328	326			
Base	Unemployment rate	4.0%	4.6%	4.2%	4.2%	4.2%	50%	€ 24 million	€ 25 million[2]
	Number of bankruptcies (monthly)	195	396	459	469	466			
Down	Unemployment rate	4.2%	6.3%	6.5%	5.4%	4.5%	35%	€ 27 million	
	Number of bankruptcies (monthly)	196	471	614	643	638			

Sensitivity to the scenario weights as at 31 December 2021[1] Audited

	Macroeconomic parameter	2021	2022	2023	2024	2025	Weight	Unweighted ECL	Reported (weighted) ECL
RESIDENTIAL MORTGAGES									
Up	Relative change in house price index	21.7%	8.6%	4.3%	3.8%	3.8%	15%	€ 54 million	
	Unemployment rate	2.8%	2.4%	2.3%	2.3%	2.3%			
Base	Relative change in house price index	19.2%	5.3%	4.4%	3.8%	3.8%	50%	€ 66 million	€ 80 million[2]
	Unemployment rate	3.1%	2.9%	2.6%	2.6%	2.7%			
Down	Relative change in house price index	14.2%	-1.4%	6.3%	3.8%	3.8%	35%	€ 107 million	
	Unemployment rate	3.5%	5.0%	4.7%	4.5%	4.5%			
SME LOANS									
Up	Unemployment rate	2.8%	2.4%	2.3%	2.3%	2.3%	15%	€ 23 million	
	Number of bankruptcies (monthly)	175	193	178	176	175			
Base	Unemployment rate	3.1%	2.9%	2.6%	2.6%	2.7%	50%	€ 23 million	€ 24 million[2]
	Number of bankruptcies (monthly)	176	239	241	238	236			
Down	Unemployment rate	3.5%	5.0%	4.7%	4.5%	4.5%	35%	€ 27 million	
	Number of bankruptcies (monthly)	178	304	350	343	340			

1 The macroeconomic parameters look ahead with an interval of 12 months as of the reporting period.

2 Including the provision for credit losses for off-balance sheet items.

4.3.5 Risk mitigation

Offsetting

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

Offsetting, netting, collateral and guarantees

The table below shows how exposures were offset, netted, collateralised and guaranteed as at year-end 2022 and 2021. The table discloses the potential effect of netting arrangements and collateral agreements on de Volksbank's financial position. We included the potential effect of rights of set-off related to de Volksbank's recognised financial assets and recognised financial liabilities.

The amounts eligible for offsetting pursuant to the International Swaps and Derivatives Association (ISDA) contracts are related to derivatives and amount to € 807 million (2021: € 474 million).

Financial assets and liabilities: offsetting, netting, collateral and guarantees Audited

31 December 2022				Not offset in the statement of financial position							
in € millions	**Gross carrying amount before balance sheet netting**	**Offsetting balance sheet values**	**Maximum exposure to credit risk**	**Master netting agreements**	**Cash collateral**	**Debt securities**	**Savings deposits**	**Immovable property**	**Financial guarantees**	**Net exposure**	**Provision for credit losses**
Cash and cash equivalents	8,011		8,011							8,011	
Derivatives	3,302		3,302	807[1]	2,438[2]					57	
Investments	5,598		5,598						951	4,647	-7
Loans and advances to banks	6,889		6,889						2,472	4,417	-5
Loans and advances to customers	**49,120**		**49,120**	--	--		1,737	47,437	368	**-422**	**-154**
- Residential mortgages	*48,272*		*48,272*				*1,737*	*46,416*	*2*[3]	*117*	*-98*
- Consumer loans	*54*		*54*							*54*	*-9*
- SME loans	*1,085*		*1,085*					*1,021*		*64*	*-24*
- Other corporate and government loans	*1,749*		*1,749*						*366*	*1,383*	*-23*
- IFRS fair value adjustments[4]	*-2,040*		*-2,040*							*-2,040*	
Other assets	249		249							249	
Total financial assets	**73,169**	--	**73,169**	**807**	**2,438**	--	**1,737**	**47,437**	**3,791**	**16,959**	**-166**
Derivatives	924		924	807[1]	82[5]					35	
Amounts due to banks	2,805		2,805		7	225				2,573	
Other liabilities	65,646		65,646							65,646	
Total financial liabilities	**69,375**	--	**69,375**	**807**	**89**	**225**	--	--	--	**68,254**	--
Loan commitments given	2,204		2,204					1,040		1,164	-10
Other commitments (repurchase commitment)[6]	394		394					394		--	--
Financial guarantees	5		5		5					--	--
Conditionally revocable commitments	395		395							395	-4
Total off-balance sheet	**2,998**	--	**2,998**	--	**5**	--	--	**1,434**	--	**1,559**	**-14**

1 Eligible for offsetting pursuant to the International Swap and Derivatives Association (ISDA).
2 This is the amount that can be offset against net current credit exposure. The total cash collateral received amounted to € 2,447 million.
3 Guarantees for residential mortgages provided with a National Mortgage Guarantee (NHG) and a LtV > 100%.
4 Consist of fair value adjustments from hedge accounting and amortisations.
5 This is the amount that can be offset against net current credit exposure. The total cash collateral posted amounted to € 88 million.
6 For more information please refer to note 20 Contingent liabilities and commitments to the consolidated financial statements.

Collateral and guarantees for stage 3 exposures 31 December 2022 Audited

in € millions	Gross carrying amount before balance sheet netting	Offsetting balance sheet values	Maximum exposure to credit risk	Im-movable property[1]	Net exposure	Provision for credit losses
Residential mortgages	453		453	423	30	-29
Consumer loans	9		9	--	9	-8
SME loans	46		46	30	16	-11
Other corporate and government loans	41		41	--	41	-22
Loans and advances to customers	**549**	**--**	**549**	**453**	**96**	**-70**
Off-balance sheet exposures	**13**	**--**	**13**	**7**	**6**	**-4**

1 Not offset in the statement of financial position.

Financial assets and liabilities: offsetting, netting, collateral and guarantees Audited

31 December 2021

				Not offset in the statement of financial position							
in € millions	**Gross carrying amount before balance sheet netting**	**Offsetting balance sheet values**	**Maximum exposure to credit risk**	**Master netting agreements**	**Cash collateral**	**Debt securities**	**Savings deposits**	**Immovable property**	**Financial guarantees**	**Net exposure**	**Provision for credit losses**
Cash and cash equivalents	10,305		10,305							10,305	
Derivatives	591		591	474[1]	92					25	
Investments	5,640		5,640						678	4,962	-2
Loans and advances to banks	4,527		4,527						1,443	3,084	
Loans and advances to customers	**50,677**		**50,677**	--	--		**1,826**	**46,122**	**371**	**2,358**	**-107**
- Residential mortgages	*47,208*		*47,208*				*1,826*	*45,345*	*2[2]*	*35*	*-73*
- Consumer loans	*52*		*52*							*52*	*-10*
- SME loans	*830*		*830*					*777*		*53*	*-23*
- Other corporate and government loans	*1,777*		*1,777*						*369*	*1,408*	*-1*
- IFRS fair value adjustments[3]	*810*		*810*							*810*	
Other assets	318		318							318	
Total financial assets	**72,058**	**--**	**72,058**	**474**	**92**	**--**	**1,826**	**46,122**	**2,492**	**21,052**	**-109**
Derivatives	1,013		1,013	474[1]	479					60	
Amounts due to banks	1,059		1,059							1,059	
Other liabilities	66,412		66,412							66,412	
Total financial liabilities	**68,484**	**--**	**68,484**	**474**	**479**	**--**	**--**	**--**	**--**	**67,531**	**--**
Loan commitments given	2,504		2,504					905		1,599	-8
Other commitments (repurchase commitment)[4]	464		464					464		--	
Financial guarantees	11		11		11					--	
Conditionally revocable commitments	407		407							407	-5
Total off-balance sheet	**3,386**	**--**	**3,386**	**--**	**11**	**--**	**--**	**1,369**	**--**	**2,006**	**-13**

1 Eligible for offsetting pursuant to the International Swap and Derivatives Association (ISDA).
2 Guarantees for residential mortgages provided with a National Mortgage Guarantee (NHG) and a LtV > 100%.
3 Consist of fair value adjustments from hedge accounting and amortisations.
4 For more information please refer to note 20 Contingent liabilities and commitments to the consolidated financial statements.

Collateral and guarantees for stage 3 exposures 31 December 2021 Audited

in € millions	Gross carrying amount before balance sheet netting	Offsetting balance sheet values	Maximum exposure to credit risk	Im-movable property[1]	Net exposure	Provision for credit losses
Residential mortgages	531		531	513	18	-17
Consumer loans	10		10	--	10	-10
SME loans	66		66	45	21	-13
Other corporate and government loans	--		--	--	--	--
Loans and advances to customers	**607**	**--**	**607**	**558**	**49**	**-40**
Off-balance sheet exposures	**12**	**--**	**12**	**--**	**12**	**-5**

1 Not offset in the statement of financial position.

Loans and advances to banks

The guarantees for loans and advances to banks are guarantees issued by regional or central governments. The collateral is mainly linked to derivative transactions.

Residential mortgages

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

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

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

The LtV is the amount of the (remaining) loan expressed as a percentage of the indexed market value of the collateral. In 2018, the maximum regulatory LtV for new mortgage loans was lowered to 100%. A low LtV is advantageous to both customers and the bank, as it reduces the likelihood of a residual debt.

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

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

The weighted average indexed LtV of the residential mortgages improved to 51%, from 53% at year-end 2021 (see also the table Breakdown of residential mortgages by LtV bucket in Section 4.3.6 Residential mortgages). Rising house prices have led to a shift of mortgages to lower LtV buckets.

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

SME loans

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

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

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

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

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

Other corporate and government loans

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

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

We do not use credit derivatives as collateral.

COUNTERPARTY RISK ON DERIVATIVE POSITIONS

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

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

- Where possible, the bank concludes derivative transactions with financial institutions using clearing via a central counterparty (CCP). Exceptions to this are transactions that are not supported by a CCP, and very short-term transactions entailing extremely high central clearing costs. Of our eligible derivatives, 97.6% is CCP cleared, based on par value;
- If central clearing is not possible, the bank subjects derivative transactions with financial institutions to collateral agreements. These are International Swaps and Derivatives Association (ISDA) standardised contracts with a Credit Support Annex (CSA) agreed in advance with each counterparty, laying down the collateral arrangements. In this respect, the bank limits the credit risk on counterparties by means of the provision and acquisition of collateral in the form of cash that covers the value of the derivatives. If a counterparty defaults, the bank will terminate the transactions and the collateral in the amount of the replacement value of the transactions will become available to the bank based on the CSA collateral agreement.

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

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

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

In order to mitigate counterparty risk, de Volksbank also uses central clearing of OTC[11] derivative transactions to shift counterparty risk to the central counterparty.

A CCP is a legal entity that positions itself between the counterparties to an OTC contract, thus becoming the buyer for the OTC seller and the seller for the OTC buyer[12]. Given the CCP's daily settlement of the counterparties' market value commitments, as well as the initial and variation margin requirements to be paid to the CCP by the counterparties, this central clearing reduces the EAD calculation. These exposures are recognised under the categories Institutions and Corporates. Their risk weighting depends on how the CCP has separated the collateral from the exposures and collateral of other CCP clients and clearing members.

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

- Daily checks to determine whether the fair value development of derivative positions with collateral arrangements is proportionate to the collateral received or to be provided;
- Settlement of forward exchange transactions via the Continuous Linked Settlement system, a global system that limits settlement risk by means of the 'payment versus payment' method and payment netting;
- Continuous monitoring to assess whether the assets available still meet the requirements to serve as collateral;
- Assessment of the fair value of the collateral received to ensure that it provides adequate cover for the underlying derivative.

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

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

11 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).

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

4.3.6 Residential mortgages

Developments in the residential mortgage portfolio in 2022

So far, geopolitical tensions and the deteriorated macroeconomic environment have had little impact on the credit quality of the residential mortgage portfolio. However, the deteriorated macroeconomic forecasts, in particular those for the House Price Index (HPI), caused a rise in the provision for credit losses for residential mortgages. At the same time, the percentage of residential mortgages in arrears remained unchanged at 0.7% and the stage 3 exposure decreased to € 424 million, from € 531 million at year-end 2021, causing the stage 3 ratio to decline to 0.9%.

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

Interest rate renewals amounted to € 1.9 billion, a decrease compared to 2021 (€ 2.4 billion), mainly due to lower regular renewals.

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

KEY FIGURES

Exposure to residential mortgages by stage Audited

	2022				2021			
in € millions	Gross carrying amount	Provision for credit losses	Stage ratio	Coverage ratio	Gross carrying amount	Provision for credit losses	Stage ratio	Coverage ratio
Stage 1	45,499	-38	94.3%	0.1%	45,102	-32	95.5%	0.1%
Stage 2	2,320	-31	4.8%	1.3%	1,575	-24	3.3%	1.5%
Stage 3	453	-29	0.9%	6.4%	531	-17	1.1%	3.2%
Total stage 1,2,3	**48,272**	**-98**		**0.2%**	**47,208**	**-73**		**0.2%**
IFRS value adjustments[1]	-2,040	--			810	--		
Total residential mortgages	**46,232**	**-98**			**48,018**	**-73**		
Off-balance sheet items stage 1	1,896	-6		0.3%	2,274	-6		0.3%
Off-balance sheet items stage 2	37	-2		5.4%	19	-1		5.3%
Off-balance sheet items stage 3	7	--		0.0%	6	--		0.0%
Total off-balance sheet items[2]	**1,940**	**-8**		**0.4%**	2,299	-7		0.3%
Total on and off-balance sheet items residential mortgages	**48,172**	**-106**		**0.2%**	**50,317**	**-80**		**0.2%**

1 Consist of fair value adjustments from hedge accounting and amortisations.

2 Off-balance sheet items: liabilities from irrevocable facilities, guarantees and repurchase commitments.

Transfers between stages in the gross carrying amount of residential mortgages Audited

	2022				2021			
in € millions	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Transfer to stage 1	638	-626	-12	--	1,149	-1,114	-35	--
Transfer to stage 2	-1,333	1,540	-207	--	-372	582	-210	--
Transfer to stage 3	-136	-79	215	--	-136	-179	315	--

Changes in the credit loss provision for residential mortgages Audited

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

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

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

Changes in the provision for credit losses for residential mortgages Audited

	2022				2021				Off-balance[1]	
in € millions	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	2022	2021
Opening balance	**32**	**24**	**17**	**73**	**24**	**52**	**35**	**111**	**7**	**1**
Transfer to stage 1	--	-3	--	-3	--	-9	-3	-12	--	--
Transfer to stage 2	--	7	-3	4	--	2	-5	-3	--	--
Transfer to stage 3	--	--	4	4	--	-2	3	1	--	--
Change in credit risk	-5	2	1	-2	-15	-9	-6	-30	--	--
Originated or purchased	10	1	--	11	8	--	--	8	1	1
Matured or sold	--	--	-1	-1	--	-3	-7	-10	--	--
Change in models	2	9	17	28	--	--	1	1	1	--
Change in management overlay	-1	-9	-5	-15	15	-7	1	9	-1	5
Impairment charges (releases)	**6**	**7**	**13**	**26**	**8**	**-28**	**-16**	**-36**	**1**	**6**
Write-offs	--	--	-1	-1	--	--	-2	-2	--	--
Closing balance	**38**	**31**	**29**	**98**	**32**	**24**	**17**	**73**	**8**	**7**
Of which: management overlay				*42*				*56*	*5*	*6*
Impairment charges (releases)				26				-36	1	6
Recoveries and other charges through P&L				-10				-15	--	--
Total impairment charges (releases)				**16**				**-51**	**1**	**6**

1 Off-balance sheet: liabilities from irrevocable facilities, guarantees and repurchase commitments.
The provision for credit losses of off-balance sheet items is reported in Provisions (see also note 17 to the consolidated financial statements).

Credit quality of the residential mortgages

Internal rating classes for residential mortgages 31 December 2022 Audited

in € millions		Gross carrying amount				Provision for credit losses			
Internal rating grade	**PD scaling**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1	0.00 to <0.15	10,730	1	--	10,731	-1	--	--	-1
2	0.15 to <0.25	12,158	1	--	12,159	-2	--	--	-2
3	0.25 to <0.35	9,403	2	--	9,405	-3	--	--	-3
4	0.35 to <0.50	7,982	3	--	7,985	-6	--	--	-6
5	0.50 to <0.75	4,253	10	--	4,263	-8	--	--	-8
6	0.75 to <1.25	333	77	--	410	-1	--	--	-1
7	1.25 to <1.50	11	76	--	87	--	--	--	--
8	1.50 to <1.75	15	116	--	131	--	-1	--	-1
9	1.75 to <3.50	125	760	--	885	-1	-3	--	-4
10	3.50 to <10.00	463	415	--	878	-14	-4	--	-18
11	10.00 to <15.00	12	119	--	131	-1	-1	--	-2
12	15.00 to <25.00	14	280	--	294	-1	-3	--	-4
13	25.00 to <100.00	--	460	--	460	--	-19	--	-19
Default	100.00	--	--	453	453	--	--	-29	-29
Total		**45,499**	**2,320**	**453**	**48,272**	**-38**	**-31**	**-29**	**-98**
IFRS value adjustments[1]					-2,040				
Total residential mortgages		**45,499**	**2,320**	**453**	**46,232**	**-38**	**-31**	**-29**	**-98**

1 Consist of fair value adjustments from hedge accounting and amortisations.

Internal rating classes for residential mortgages 31 December 2021

in € millions		Gross carrying amount				Provision for credit losses			
Internal rating grade	**PD scaling**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1	0.00 to <0.15	29,513	1	--	29,514	-4	--	--	-4
2	0.15 to <0.25	11,216	2	--	11,218	-5	--	--	-5
3	0.25 to <0.35	3,140	2	--	3,142	-4	--	--	-4
4	0.35 to <0.50	340	5	--	345	-1	--	--	-1
5	0.50 to <0.75	78	12	--	90	--	--	--	--
6	0.75 to <1.25	74	52	--	126	--	-1	--	-1
7	1.25 to <1.50	64	34	--	98	--	--	--	--
8	1.50 to <1.75	63	37	--	100	--	--	--	--
9	1.75 to <3.50	434	270	--	704	-6	-5	--	-11
10	3.50 to <10.00	169	354	--	523	-10	-5	--	-15
11	10.00 to <15.00	11	267	--	278	-1	-2	--	-3
12	15.00 to <25.00	--	338	--	338	--	-4	--	-4
13	25.00 to <100.00	--	201	--	201	-1	-7	--	-8
Default	100.00	--	--	531	531	--	--	-17	-17
Total		**45,102**	**1,575**	**531**	**47,208**	**-32**	**-24**	**-17**	**-73**
IFRS value adjustments[1]					810				
Total residential mortgages		**45,102**	**1,575**	**531**	**48,018**	**-32**	**-24**	**-17**	**-73**

1 Consist of fair value adjustments from hedge accounting and amortisations.

Stage 3 residential mortgages vintage analysis

Time in default (as a % of total gross amount)	2022	2021
< 1 year	53%	49%
1-3 years	33%	38%
3-5 years	5%	7%
5-10 years	6%	4%
> 10 years	3%	2%
Total	**100%**	**100%**

Residential mortgages by Loan-to-Value bucket

For an explanation of LtV and NHG for residential mortgages, see Section 4.3.5 Risk mitigation.

Breakdown of residential mortgages by LtV bucket[1] 31 December 2022 Audited

	Gross carrying amount					Provision for credit losses				Coverage ratio[2]			
in € millions	**Stage 1**	**Stage 2**	**Stage 3**	**Total**		**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
NHG[3]													
LtV ≤ 75%	10,305	278	65	10,648	22%	-2	-2	-3	-7	0.0%	0.8%	5.1%	0.1%
LtV >75 ≤ 100%	1,054	37	4	1,095	2%	-1	-1	--	-2	0.1%	1.5%	7.8%	0.1%
LtV >100 ≤ 110%	42	1	--	43	0%	--	--	--	--	0.1%	3.0%	4.5%	0.2%
LtV >110 ≤ 125%	--	1	--	1	0%	--	--	--	--	0.0%	2.1%	0.0%	2.1%
LtV > 125%	1	-	-	1	0%	--	--	--	--	2.8%	0.0%	13.3%	7.1%
Total NHG	**11,402**	**317**	**69**	**11,788**	**24%**	**-3**	**-3**	**-3**	**-9**	**0.0%**	**0.9%**	**5.3%**	**0.1%**
NON-NHG													
LtV ≤ 75%	30,382	1,688	327	32,397	67%	-25	-19	-18	-62	0.1%	1.1%	5.5%	0.2%
LtV >75 ≤ 100%	3,419	273	46	3,738	8%	-9	-7	-5	-21	0.3%	2.6%	11.2%	0.6%
LtV >100 ≤ 110%	251	24	2	277	1%	-1	-1	-1	-3	0.4%	4.6%	23.0%	0.9%
LtV >110 ≤ 125%	44	8	3	55	0%	--	--	-1	-1	0.7%	6.5%	13.7%	2.3%
LtV > 125%	1	10	6	17	0%	--	-1	-1	-2	2.0%	4.8%	16.2%	8.2%
Total Non-NHG	**34,097**	**2,003**	**384**	**36,484**	**76%**	**-35**	**-28**	**-26**	**-89**	**0.1%**	**1.4%**	**6.5%**	**0.2%**
Total	**45,499**	**2,320**	**453**	**48,272**	**100%**	**-38**	**-31**	**-29**	**-98**	**0.1%**	**1.3%**	**6.3%**	**0.2%**
IFRS value adjustments[4]				-2,040									
Total residential mortgages				**46,232**					**-98**				**0.2%**
Weighted average indexed LtV				**51%**									

1 The LtV is based on the indexed market value of collateral.

2 The coverage ratios differs from the ratios in other tables because in this table the gross exposure is reduced by the savings deposits and because these are calculated with unrounded figures.

3 NHG is determined on loan part level; the size of guarantees related to NHG-guaranteed mortgages expires on an annuity basis.

4 Consist of fair value adjustments from hedge accounting and amortisations.

Breakdown of residential mortgages by LtV bucket[1] 31 December 2021

	Gross carrying amount					Provision for credit losses				Coverage ratio[2]			
in € millions	**Stage 1**	**Stage 2**	**Stage 3**	**Total**		**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
NHG[3]													
≤ 75%	9,979	235	69	10,283	22%	-2	-1	-2	-5	0.0%	0.6%	2.8%	0.0%
>75 ≤ 100%	1,353	45	8	1,406	3%	-1	-1	-1	-3	0.1%	2.5%	3.5%	0.2%
>100 ≤ 110%	5	2	1	8	0%	--	--	--	--	0.1%	9.8%	5.3%	3.1%
>110 ≤ 125%	--	1	--	1	0%	--	--	--	--	0.3%	10.2%	10.7%	7.5%
> 125%	0	0	--	--	0%	--	--	--	--	1.2%	12.8%	0.0%	7.3%
Total NHG	**11,337**	**283**	**78**	**11,698**	**25%**	**-3**	**-2**	**-3**	**-8**	**0.0%**	**1.0%**	**2.9%**	**0.1%**
NON-NHG													
≤ 75%	30,939	1,010	358	32,307	68%	-23	-9	-10	-42	0.1%	0.9%	2.8%	0.1%
>75 ≤ 100%	2,766	242	78	3,086	7%	-6	-8	-3	-17	0.2%	3.1%	0.1%	0.5%
>100 ≤ 110%	46	23	8	77	0%	--	-3	--	-3	0.4%	11.4%	4.2%	4.0%
>110 ≤ 125%	6	11	5	22	0%	--	-1	-1	-2	0.8%	13.2%	4.4%	7.8%
> 125%	8	6	4	18	0%	--	-1	--	-1	0.6%	12.8%	8.8%	6.5%
Total Non-NHG	**33,765**	**1,292**	**453**	**35,510**	**75%**	**-29**	**-22**	**-14**	**-65**	**0.1%**	**1.7%**	**3.1%**	**0.2%**
Total	**45,102**	**1,575**	**531**	**47,208**	**100%**	**-32**	**-24**	**-17**	**-73**	**0.1%**	**1.5%**	**3.0%**	**0.2%**
IFRS value adjustments[4]				810									
Total residential mortgages				**48,018**					**-73**				**0.2%**
Weighted average indexed LtV				**53%**									

1 The LtV is based on the indexed market value of collateral.

2 The coverage ratios differs from the ratios in other tables because in this table the gross exposure is reduced by the savings deposits and because these are calculated with unrounded figures.

3 NHG is determined on loan part level; the size of guarantees related to NHG-guaranteed mortgages expires on an annuity basis.

4 Consist of fair value adjustments from hedge accounting and amortisations.

Residential mortgages in arrears

The table below depicts the amount of residential mortgages in arrears. The total amount of loans in arrears continued to follow a downward trend from € 345 million at year-end 2021 to € 315 million. The percentage of residential mortgages in arrears remained unchanged at 0.7%. The short-term arrears (< 90 days) increased while the long-term arrears (> 90 days) decreased.

With the introduction of the new Definition of Default (DoD) in 2021, the way in which the day count is defined was changed. The count starts when the total amount in arrears exceeds € 100 and is higher than 1% of the total outstanding exposure for days past due. As a result we also recorded > 90 days in arrears for stage 1 and 2. For more information, please refer to Section 4.3.3 Provisioning methodology.

Residential mortgages in arrears 31 December 2022 Audited

in € millions	Gross carrying amount	No arrears	≤ 30 days in arrears	> 30 days ≤ 90 days in arrears	> 90 days in arrears	% in arrears
Stage 1	45,499	45,473	11	5	10	0.1%
Stage 2	2,320	2,163	33	63	61	6.8%
Stage 3	453	321	7	31	94	29.1%
Subtotal	**48,272**	**47,957**	**51**	**99**	**165**	**0.7%**
IFRS value adjustments[1]	-2,040					
Total	**46,232**	**47,957**	**51**	**99**	**165**	

Residential mortgages in arrears 31 December 2021 Audited

in € millions	Gross amount	No arrears	≤ 30 days in arrears	> 30 days ≤ 90 days in arrears	> 90 days in arrears	% in arrears
Stage 1	45,102	45,066	17	4	15	0.1%
Stage 2	1,575	1,419	27	54	75	9.9%
Stage 3	531	378	6	24	123	28.8%
Subtotal	**47,208**	**46,863**	**50**	**82**	**213**	**0.7%**
IFRS value adjustments[1]	810					
Total	**48,018**	**46,863**	**50**	**82**	**213**	

1 Consist of fair value adjustments from hedge accounting and amortisations.

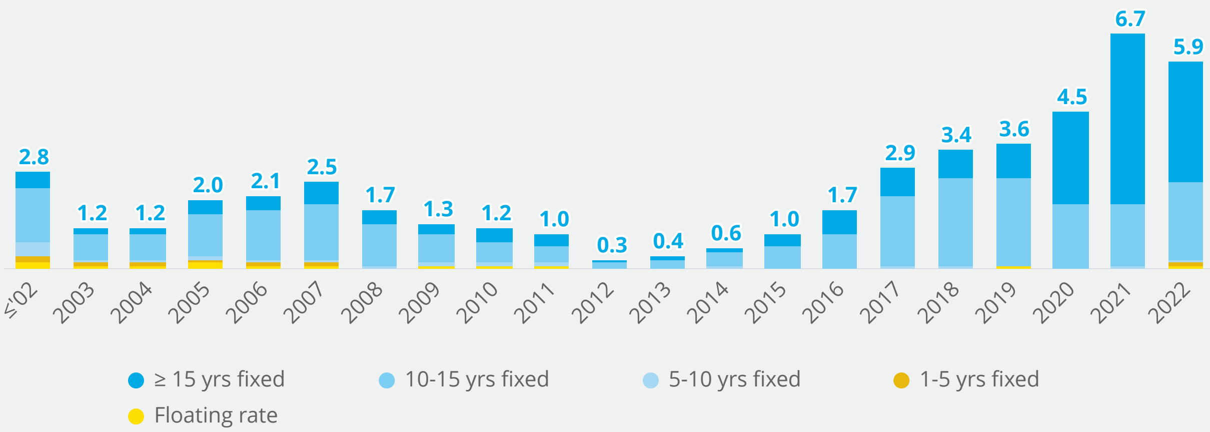
Additional information on residential mortgages

Residential mortgages by fixed-term maturity

in € millions	2022		2021	
Floating rate	1,296	3%	1,545	3%
≥ 1 and < 5-year fixed-rate	921	2%	1,104	2%
≥ 5 and < 10-year fixed-rate	1,607	3%	1,642	4%
≥ 10 and < 15-year fixed-rate	25,660	53%	26,976	57%
≥ 15-year fixed-rate	18,400	38%	15,527	33%
Other	388	1%	414	1%
Total	**48,272**	**100%**	**47,208**	**100%**
Provision for credit losses	-98		-73	
IFRS value adjustments[1]	-2,040		810	
Total residential mortgages	**46,134**		**47,945**	

1 Consist of fair value adjustments from hedge accounting and amortisations.

Residential mortgages by fixed rate maturity and latest year of adjustment (in € billions)[1]



1 Amounts in this chart do include mortgage renewals. Bridge loans and 'extra ruimte' mortgages not included.

Residential mortgages by brand

in € millions	2022		2021	
ASN Bank	702	2%	469	1%
BLG Wonen	25,467	53%	23,597	50%
RegioBank	7,437	15%	7,361	16%
SNS	14,666	30%	15,781	33%
Total	**48,272**	**100%**	**47,208**	**100%**
Provision for credit losses	-98		-73	
IFRS value adjustments[1]	-2,040		810	
Total residential mortgages	**46,134**		**47,945**	

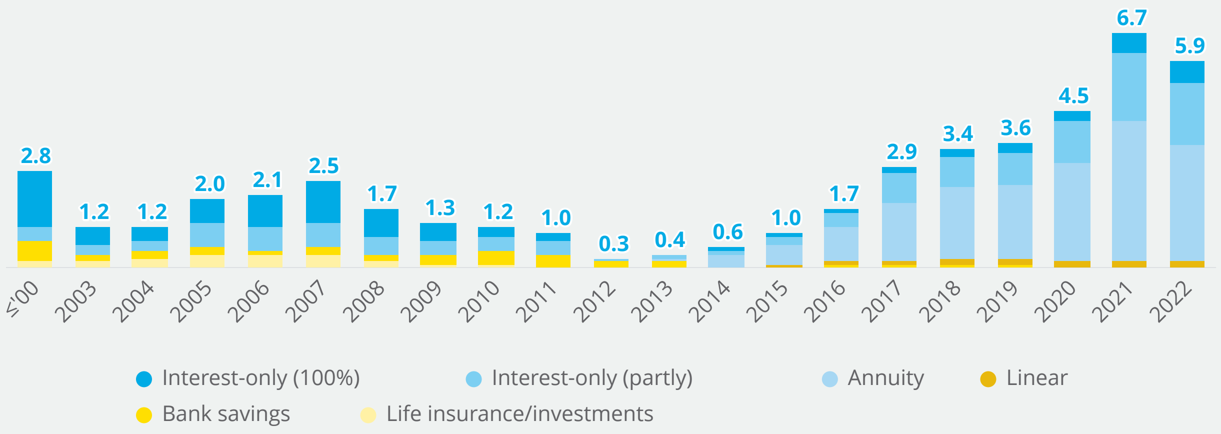
1 Consist of fair value adjustments from hedge accounting and amortisations.

Residential mortgages by redemption type

in € millions	2022		2021	
Interest-only (100%)	9,558	20%	9,753	21%
Interest-only (partially)[1]	13,176	27%	12,660	27%
Annuity	18,252	38%	16,671	35%
Linear	1,288	3%	1,289	3%
(Bank) savings[2]	3,400	7%	3,757	8%
Life insurance/investments	2,210	4%	2,665	5%
Other	388	1%	413	1%
Total	**48,272**	**100%**	**47,208**	**100%**
Provision for credit losses	-98		-73	
IFRS value adjustments[3]	-2,040		810	
Total residential mortgages	**46,134**		**47,945**	

1 Besides an interest-only loan part, customers also have a loan part with a repayment, such as with annuity or linear repayments.
2 The guaranteed savings deposits accrued in a policy with the insurer are accounted for under (Bank) savings.
3 Consist of fair value adjustments from hedge accounting and amortisations.

Residential mortgages by redemption type and latest year of adjustment (in € billions)[1]



1 Amounts in this chart do include mortgage renewals. Bridge loans and 'extra ruimte' mortgages are not included.

4.3.7 Consumer loans

Developments in the consumer loan portfolio in 2022

The consumer loan portfolio comprises three products: personal loans, revolving credit and overdraft facilities. The volume of the consumer loan portfolio remained stable. The increasing inflow of new personal loans mitigated the portfolio's downward trend in recent years as a result of the winding down of the revolving credit portfolio.

In 2022, the credit quality of the consumer loan portfolio did not change significantly. High inflation did have an impact on the portfolio. The revised lending standards take into account the higher cost of living, especially for families with children. This substantially decreased the loan capacity for new loans, leading to slower growth in new personal loans. Thus far, the high rate of inflation has not led to higher default numbers in the portfolio.

The default portfolio (loans in stage 3) declined slightly leading to a write-off amount of € 1 million. In line with this, the stage 3 ratio declined from 19.2% to 16.7%.

KEY FIGURES

Exposure to consumer loans by stage Audited

in € millions	2022 Gross carrying amount	2022 Provision for credit losses	2022 Stage ratio	2022 Coverage ratio	2021 Gross carrying amount	2021 Provision for credit losses	2021 Stage ratio	2021 Coverage ratio
Stage 1	22	--	40.7%	0.0%	28	--	53.8%	0.0%
Stage 2	23	-1	42.6%	4.3%	14	--	26.9%	0.0%
Stage 3	9	-8	16.7%	88.9%	10	-10	19.2%	100.0%
Total consumer loans	**54**	**-9**		**16.7%**	**52**	**-10**		**19.2%**
Off-balance sheet items stage 1	389	--		0.0%	406	--		0.0%
Off-balance sheet items stage 2	5	--		0.0%	5	--		0.0%
Off-balance sheet items stage 3	4	-4		100.0%	5	-5		100.0%
Total off-balance sheet items[1]	**398**	**-4**		**1.0%**	**416**	**-5**		**1.2%**
Total on and off-balance sheet items consumer loans	**452**	**-13**		**2.9%**	**468**	**-15**		**3.2%**

1 Consists mainly of conditionally revocable facilities.

Transfers between stages in the gross carrying amount of consumer loans Audited

in € millions	2022 Stage 1	2022 Stage 2	2022 Stage 3	2022 Total	2021 Stage 1	2021 Stage 2	2021 Stage 3	2021 Total
Transfer to stage 1	1	-1	--	--	2	-2	--	--
Transfer to stage 2	-4	4	--	--	-4	4	--	--
Transfer to stage 3	--	-1	1	--	-1	-1	2	--

Changes in the provision for credit losses for consumer loans Audited

The total provision for credit losses for consumer loans decreased from € 10 million to € 9 million, mainly due to write-offs. Coverage ratios over the stages remained relatively stable.

The provision for off-balance sheet items decreased by € 1 million to € 4 million. As of 2021, the new DoD pulls more customers in default based on unlikely-to-pay triggers, in addition to arrears. When customers enter default status based on arrears, the credit limit for their consumer loans is withdrawn, such that they no longer have access to the undrawn commitments. This mechanism is not in place for customers entering default status based on an unlikely-to-pay trigger. The undrawn portion of consumer credit products is considered an off-balance sheet commitment. Since the new DoD pulls more customers with undrawn off-balance commitments in default, the related provision for off-balance sheet items in stage 3 increased significantly in 2021.

Changes in the provision for credit losses for consumer loans Audited

	2022				2021				Off-balance[1]	
in € millions	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**2022**	**2021**
Opening balance	--	--	10	10	--	1	11	12	5	2
Transfer to stage 1	--	--	--	--	--	-1	--	-1	--	--
Transfer to stage 2	--	--	-1	-1	--	--	-3	-3	-1	--
Transfer to stage 3	--	--	1	1	--	--	1	1	1	--
Changes in credit risk	--	--	--	-1	--	--	3	3	--	--
Originated or purchased	--	1	--	1	--	--	--	--	--	--
Matured or sold	--	--	-1	--	--	--	--	--	-1	--
Change in models	--	--	--	--	--	--	1	1	--	3
Impairment charges (releases)	**--**	**1**	**-1**	**--**	**--**	**-1**	**2**	**1**	**-1**	**3**
Write-offs	--	--	-1	-1	--	--	-3	-3	--	--
Closing balance	**--**	**1**	**8**	**9**	**--**	**--**	**10**	**10**	**4**	**5**
Impairment charges (releases)				--				1	-1	3
Recoveries and other charges through P&L				-2				-1	--	--
Total impairment charges (releases)				**-2**				**--**	**-1**	**3**

1 Off-balance sheet: liabilities from irrevocable facilities, guarantees and repurchase commitments.
The provision for credit losses of off-balance sheet items is reported in Provisions (see also note 17 to the consolidated financial statements).

Consumer loans in arrears

Consumer loans in arrears 31 December 2022 Audited

in € millions	**Gross carrying amount**	**No arrears**	**≤ 30 days in arrears**	**> 30 days ≤ 90 days in arrears**	**> 90 days in arrears**	**% in arrears**
Stage 1	22	22	--	--	--	0.0%
Stage 2	23	19	1	1	2	17.4%
Stage 3	9	1	--	--	8	88.9%
Total consumer loans	**54**	**42**	**1**	**1**	**10**	**22.2%**

Consumer loans in arrears 31 December 2021 Audited

in € millions	**Gross carrying amount**	**No arrears**	**≤ 30 days in arrears**	**> 30 days ≤ 90 days in arrears**	**> 90 days in arrears**	**% in arrears**
Stage 1	28	28	--	--	--	0.0%
Stage 2	14	14	--	--	--	0.0%
Stage 3	10	1	1	--	8	90.0%
Total consumer loans	**52**	**43**	**1**	**--**	**8**	**17.3%**

4.3.8 SME loans

Developments in the SME loan portfolio in 2022

In 2022, the focus was on the financeability of SME companies in the Netherlands. We have simplified our origination process and expanded the services of our distribution channels. We offer our customers a mix between personal contact and digital comfort. As a result, we originated € 321 million in new loans. Our portfolio grew from € 830 million to € 1,085 million.

We phased out the support that we offered our customers who were struggling as a result of the Covid-19 pandemic as the lockdown restrictions were lifted and the Dutch government discontinued its support measures. Furthermore, we received fewer requests from customers regarding this issue. Despite recent macroeconomic developments, we did not experience any direct material impact in the form of customers' requests or bankruptcies. We are tracking and monitoring this closely.

KEY FIGURES

Exposure to SME loans by stage Audited

	2022				2021			
in € millions	Gross carrying amount	Provision for credit losses	Stage ratio	Coverage ratio	Gross carrying amount	Provision for credit losses	Stage ratio	Coverage ratio
Stage 1	933	-6	86.0%	0.6%	652	-6	78.6%	0.9%
Stage 2	106	-7	9.8%	6.6%	112	-4	13.5%	3.6%
Stage 3	46	-11	4.2%	23.9%	66	-13	8.0%	19.7%
Total SME loans	**1,085**	**-24**		**2.2%**	**830**	**-23**		**2.8%**
Off-balance sheet items stage 1	132	-1		0.8%	116	-1		0.9%
Off-balance sheet items stage 2	5	--		0.0%	6	--		0.0%
Off-balance sheet items stage 3	2	--		0.0%	1	--		0.0%
Total off-balance sheet items[1]	**139**	**-1**		**0.7%**	**123**	**-1**		**0.8%**
Total on and off-balance sheet items SME loans	**1,224**	**-25**		**2.0%**	**953**	**-24**		**2.5%**

1 Off-balance sheet: liabilities from irrevocable facilities and guarantees.

Transfers between stages in the gross carrying amount of SME loans Audited

	2022				2021			
in € millions	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Transfer to stage 1	83	-78	-5	--	39	-36	-3	--
Transfer to stage 2	-47	64	-17	--	-63	69	-6	--
Transfer to stage 3	-5	-4	9	--	-8	-3	11	--

Changes in the provision for credit losses for SME loans Audited

In 2022, the credit loss provision for SME loans increased marginally from € 23 million to € 24 million. The stage 1 provision remained unchanged, as the addition for newly originated loans was compensated by a release of the management overlay. Stage 2 and 3 exposure decreased thanks to the recovery of customers who received financial support during Covid-19. The decrease in stage 2 exposure, however, was largely compensated by the inflow of customers in arrears and customers with a significant increase in credit risk since initial recognition (SICR) mainly due to the downward revision of macroeconomic forecasts. All in all, the stage 2 provision increased as the coverage ratios for customers in arrears and SICR customers exceeded those for the recovered performing forborne customers.

Changes in the provision for credit losses for SME loans Audited

	2022				2021				Off-balance[1]	
in € millions	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**2022**	**2021**
Opening balance	**6**	**4**	**13**	**23**	**6**	**5**	**27**	**38**	**1**	**1**
Transfer to stage 1	--	-2	-1	-3	--	-1	--	-1	--	--
Transfer to stage 2	--	5	-3	2	--	1	-5	-4	--	--
Transfer to stage 3	--	--	2	2	--	--	1	1	--	--
Change in credit risk	--	--	1	1	-3	--	-1	-4	-1	--
Originated or purchased	1	1	1	3	3	--	--	3	1	--
Matured or sold	--	-1	-1	-2	--	-1	-4	-5	--	--
Change in models	--	--	--	--	--	1	-2	-1	--	--
Change in management overlay	-1	--	--	-1	--	-1	-2	-3	--	--
Impairment charges (releases)	**--**	**3**	**-1**	**2**	**--**	**-1**	**-13**	**-14**	**--**	**--**
Write-offs	--	--	-1	-1	--	--	-1	-1	--	--
Closing balance	**6**	**7**	**11**	**24**	**6**	**4**	**13**	**23**	**1**	**1**
Of which: management overlay				*4*				*5*	--	--
Impairment charges (releases)				2				-14	--	--
Recoveries and other charges through P&L				--				1	--	--
Total impairment charges (releases)				**2**				**-13**	**--**	**--**

1 Off-balance sheet: liabilities from irrevocable facilities, guarantees and repurchase commitments.
The provision for credit losses of off-balance sheet items is reported in Provisions (see also note 17 to the consolidated financial statements).

Credit quality of SME loans

Internal rating classes of SME loans 31 December 2022 Audited

in € millions		Gross carrying amount				Provision for credit losses			
Internal rating grade	**PD scaling**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1	0.00 to <0.15	--	--	--	--	--	--	--	--
2	0.15 to <0.25	--	--	--	--	--	--	--	--
3	0.25 to <0.35	7	--	--	7	--	--	--	--
4	0.35 to <0.50	19	--	--	19	--	--	--	--
5	0.50 to <0.75	67	--	--	67	--	--	--	--
6	0.75 to <1.25	168	--	--	168	-1	--	--	-1
7	1.25 to <1.50	47	--	--	47	--	--	--	--
8	1.50 to <1.75	45	--	--	45	--	--	--	--
9	1.75 to <3.50	361	2	--	363	-2	--	--	-2
10	3.50 to <10.00	219	11	--	230	-3	--	--	-3
11	10.00 to <15.00	--	18	--	18	--	-1	--	-1
12	15.00 to <25.00	--	17	--	17	--	-1	--	-1
13	25.00 to <100.00	--	58	--	58	--	-5	--	-5
Default	100.00	--	--	46	46	--	--	-11	-11
Total SME loans		**933**	**106**	**46**	**1,085**	**-6**	**-7**	**-11**	**-24**

Internal rating classes of SME loans 31 December 2021

in € millions		Gross carrying amount				Provision for credit losses			
Internal rating grade	**PD scaling**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
1	0.00 to <0.15	--	--	--	--	--	--	--	--
2	0.15 to <0.25	5	--	--	5	--	--	--	--
3	0.25 to <0.35	16	--	--	16	--	--	--	--
4	0.35 to <0.50	40	--	--	40	--	--	--	--
5	0.50 to <0.75	69	--	--	69	--	--	--	--
6	0.75 to <1.25	92	--	--	92	-1	--	--	-1
7	1.25 to <1.50	46	1	--	47	--	--	--	--
8	1.50 to <1.75	52	1	--	53	--	--	--	--
9	1.75 to <3.50	263	6	--	269	-3	--	--	-3
10	3.50 to <10.00	69	21	--	90	-2	--	--	-2
11	10.00 to <15.00	--	18	--	18	--	-1	--	-1
12	15.00 to <25.00	--	29	--	29	--	-1	--	-1
13	25.00 to <100.00	--	36	--	36	--	-2	--	-2
Default	100.00	--	--	66	66	--	--	-13	-13
Total SME loans		**652**	**112**	**66**	**830**	**-6**	**-4**	**-13**	**-23**

Stage 3 SME loans vintage analysis

Time in default (as a % of total gross amount)	2022	2021
< 1 year	26%	15%
1-3 years	37%	55%
3-5 years	6%	6%
5-10 years	18%	14%
> 10 years	13%	10%
Total	**100%**	**100%**

SME loans by LtV bucket 31 December 2022[1] Audited

						Provision for credit losses				Coverage ratio[2]			
in € millions	**Stage 1**	**Stage 2**	**Stage 3**	**Total**		**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
≤ 75%	312	19	11	342	32%	-1	-1	-2	-4	0.3%	2.5%	17.3%	1.0%
>75 ≤ 100%	430	43	15	488	45%	-3	-3	-2	-8	0.7%	6.7%	15.4%	1.6%
>100 ≤ 110%	111	19	2	132	12%	-1	-1	-1	-3	1.0%	6.8%	20.6%	2.2%
>110 ≤ 125%	45	11	2	58	5%	--	-1	--	-1	1.1%	7.3%	21.1%	3.0%
> 125%	35	14	16	65	6%	-1	-1	-6	-8	1.9%	10.0%	34.9%	11.8%
Total SME loans	**933**	**106**	**46**	**1,085**	**100%**	**-6**	**-7**	**-11**	**-24**	**0.6%**	**6.6%**	**23.9%**	**2.2%**

1 LtV based on foreclosure value of collateral.

2 The coverage ratios in this table are calculated with unrounded figures.

SME loans by LtV bucket 31 December 2021[1]

						Provision for credit losses				Coverage ratio[2]			
in € millions	**Stage 1**	**Stage 2**	**Stage 3**	**Total**		**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
≤ 75%	229	36	14	279	34%	-1	-1	-2	-4	0.4%	1.7%	14.8%	1.3%
>75 ≤ 100%	296	28	11	335	40%	-3	-1	-1	-5	1.0%	3.0%	14.7%	1.6%
>100 ≤ 110%	54	17	7	78	9%	-1	--	-1	-2	1.4%	2.8%	14.7%	2.9%
>110 ≤ 125%	46	6	6	58	7%	-1	--	-1	-2	1.7%	4.3%	14.8%	3.5%
> 125%	27	25	28	80	10%	--	-2	-8	-10	2.6%	6.5%	27.3%	12.6%
Total SME loans	**652**	**112**	**66**	**830**	**100%**	**-6**	**-4**	**-13**	**-23**	**0.9%**	**3.6%**	**19.7%**	**2.8%**

1 LtV based on foreclosure value of collateral.

2 The coverage ratios in this table are calculated with unrounded figures.

Credit risk concentration of SME loans

SME loans by sector[1]

	2022		2021	
in € millions	**Gross carrying amount**	**Provision for credit losses**	**Gross carrying amount**	**Provision for credit losses**
Agriculture, forestry and fishing	14	-1	12	--
Manufacturing	60	-3	47	-3
Construction	100	-2	66	-2
Wholesale and retail trade	212	-3	158	-4
Transport and storage	9	--	9	--
Accommodation and food service activities	55	-2	44	-2
Information and communication	7	--	4	--
Financial and insurance activities	241	-4	174	-4
Real estate activities	185	-5	164	-5
Professional, scientific and technical activities	103	-2	66	-2
Administrative and support service activities	24	--	18	--
Education	8	--	6	--
Human health services and social work activities	26	--	22	--
Arts, entertainment and recreation	17	-1	18	--
Other	24	-1	22	-1
Total SME loans	**1,085**	**-24**	**830**	**-23**

1 Based on the activity classification of the European Union (Nomenclature statistique des activités économiques dans la Communauté Européenne, NACE).

SME loans in arrears

SME loans in arrears 31 December 2022 Audited

in € millions	**Gross carrying amount**	**No arrears**	**≤ 30 days in arrears**	**> 30 days ≤ 90 days in arrears**	**> 90 days in arrears**	**% in arrears**
Stage 1	933	931	2	--	--	0.2%
Stage 2	106	86	6	5	9	18.9%
Stage 3	46	33	5	2	6	28.3%
Total SME loans	**1,085**	**1,050**	**13**	**7**	**15**	**3.2%**

SME loans in arrears 31 December 2021 Audited

in € millions	Gross carrying amount	No arrears	≤ 30 days in arrears	> 30 days ≤ 90 days in arrears	> 90 days in arrears	% in arrears
Stage 1	652	651	1	--	--	0.0%
Stage 2	112	106	4	2	--	5.4%
Stage 3	66	50	3	1	12	24.2%
Total SME loans	**830**	**807**	**8**	**3**	**12**	**2.8%**

4.3.9 Other corporate and government loans

Developments in the corporate and government loan portfolio in 2022

Other corporate and government loans consist almost entirely of the loan portfolio of ASN Bank, 25% of which consists of private placement loans to local authorities and loans to housing associations and hospitals guaranteed by guarantee funds. The other 75% consists of loans in the sustainable sector, such as solar and wind energy companies. These loans are predominantly supported by government incentives (subsidies and price guarantees). This makes the portfolio very secure, ensuring a low level of credit risk.

Most of the loans in the other corporate and government portfolio are found in stage 1 (95%), as was the case at the end of 2021 (93%). During 2022, a few individual loans were transferred to stage 3, however there were no loans in arrears (year-end 2021: no exposure in stage 3, no arrears).

KEY FIGURES

Exposure to other corporate and government loans by stage Audited

	2022				2021			
in € millions	Gross carrying amount	Provision for credit losses	Stage ratio	Coverage ratio	Gross carrying amount	Provision for credit losses	Stage ratio	Coverage ratio
Stage 1	1,665	-1	95.2%	0.1%	1,653	-1	93.0%	0.1%
Stage 2	43	--	2.5%	0.0%	124	--	7.0%	0.0%
Stage 3	41	-22	2.3%	53.7%	--	--	--	--
Total other corporate and government loans	**1,749**	**-23**		**1.3%**	**1,777**	**-1**		**0.1%**
Off-balance sheet items stage 1	521	-1		0.2%	547	--		0.0%
Off-balance sheet items stage 2	--	--		--	1	--		--
Off-balance sheet items stage 3	--	--		--	--	--		--
Total off-balance sheet items[1]	**521**	**-1**		**0.2%**	**548**	**--**		**0.0%**
Total on and off-balance sheet items other corporate and government loans	**2,270**	**-24**		**1.1%**	**2,325**	**-1**		**0.0%**

1 Off-balance sheet: liabilities from irrevocable facilities and guarantees.

Transfers between stages in the gross carrying amount of other corporate and government loans Audited

	2022				2021			
in € millions	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Transfer to stage 1	58	-58	--	--	32	-32	--	--
Transfer to stage 2	-25	25	--	--	-9	53	-44	--
Transfer to stage 3	-1	-40	41	--	--	--	--	--

Changes in the provision for credit losses for corporate and government loans Audited

In 2022, the credit loss provision for other corporate and government loans rose from € 1 million to € 23 million, mainly attributable to a few individual corporate loans that were transferred to stage 3.

Changes in the provisions for credit losses for other corporate and government loans Audited

	2022				2021				Off-balance[1]	
in € millions	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**2022**	**2021**
Opening balance	**1**	**--**	**--**	**1**	**--**	**1**	**4**	**5**	**--**	**1**
Transfer to stage 1	--	--	--	--	--	-1	--	-1	--	--
Transfer to stage 2	--	--	--	--	--	--	-3	-3	--	-1
Transfer to stage 3	--	--	22	22	--	--	--	--	--	--
Change in credit risk	--	--	--	--	--	--	--	--	--	--
Originated or purchased	--	--	--	--	1	--	--	1	1	--
Matured or sold	--	--	--	--	--	--	-1	-1	--	--
Impairment charges (releases)	**--**	**--**	**22**	**22**	**1**	**-1**	**-4**	**-4**	**1**	**-1**
Write-offs	--	--	--	--	--	--	--	--	--	--
Closing balance	**1**	**--**	**22**	**23**	**1**	**--**	**--**	**1**	**1**	**--**

1 Off-balance sheet: liabilities from irrevocable facilities, guarantees and repurchase commitments.
The provision for credit losses of off-balance sheet items is reported in Provisions (see also note 17 to the consolidated financial statements).

Credit risk concentration of corporate and government loans

Breakdown of other corporate and government loans Audited

in € millions	**2022**	**2021**
Government	**463**	**556**
of which cash loans	*315*	*381*
of which other private placement loans ASN Bank	*148*	*175*
Other financial corporations	**238**	**197**
of which sustainable funds ASN Bank	*229*	*143*
of which cash loans	*--*	*50*
of which other loans	*9*	*4*
Non-financial corporations	**1,048**	**1,024**
of which other private placement loans ASN Bank	*277*	*321*
of which sustainable loans ASN Bank	*771*	*703*
of which cash loans	*--*	*--*
Gross other corporate and government loans	**1,749**	**1,777**
Provision for credit losses	-23	-1
Total other corporate and government loans	**1,726**	**1,776**

Government loans

Cash loans

Cash loans have a maturity of less than 3 months. At year-end 2022, they were all found in stage 1, with a negligible amount of provisions for credit losses.

Other private placement loans

Loans and advances to the public sector are mostly loans provided to Dutch municipalities and provinces and government-guaranteed loans to institutions. The credit risk on these loans and advances is very low. All loans and advances to the public sector were found in stage 1, as was the case at the end of 2021.

Loans to the government

in € millions	2022	2021
The Netherlands	148	175
EMU excl. the Netherlands	71	72
Switzerland	244	309
Total	**463**	**556**

Loans to non-financial corporations by sector[1]

in € millions	2022		2021	
	Gross carrying amount	Provision for credit losses	Gross carrying amount	Provision for credit losses
Manufacturing	3	--	5	--
Electricity, gas, steam and air conditioning supply	630	-23	563	-1
Construction	18	--	14	--
Transport and storage	--	--	--	--
Financial and insurance activities	26	--	29	--
Real estate activities	210	--	235	--
Professional, scientific and technical activities	13	--	15	--
Administrative and support service activities	7	--	5	--
Human health services and social work activities	109	--	126	--
Arts, entertainment and recreation	12	--	11	--
Other	20	--	21	--
Total non-financial corporations	**1,048**	**-23**	**1,024**	**-1**

1 Based on the activity classification of the European Union (Nomenclature statistique des activités économiques dans la Communauté Européenne, NACE).

Loans to other financial corporations

The sustainable funds of ASN Bank consist of exposures to financial institutions that in turn provide sustainable financing. At year-end 2022, they all were found in stage 1 with a provision for credit losses of less than € 1 million.

Loans to non-financial corporations

ASN Bank sustainable loans

ASN Bank sustainable loans are mostly loans provided to special purpose vehicles (SPV) established to finance and operate wind farms, solar parks and other renewable energy projects, including a biomass power plant. The major part of the sustainable loans we provide are loans with government-guaranteed electricity prices or power purchase agreements and therefore the credit risk on these loans and advances is moderate to low.
In 2022, the credit loss provision amounted to € 23 million, mainly attributable to a few individual corporate loans that were transferred to stage 3.
One of the lenders has a partial guarantee from the shareholder regarding the functioning of the financed installation. This guarantee is taken into account and mitigates the credit risk and thus the provision.

Other private placement loans

Loans and advances to the public sector are mostly loans provided to Dutch municipalities and provinces and government-guaranteed loans to institutions.
A part of these loans have government-issued guarantees for, for example, healthcare institutions or housing associations. Thus, the credit risk on these loans and advances is very low.

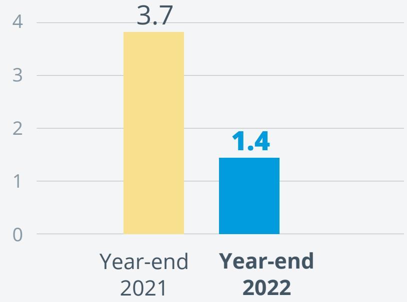
4.4 Market risk

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

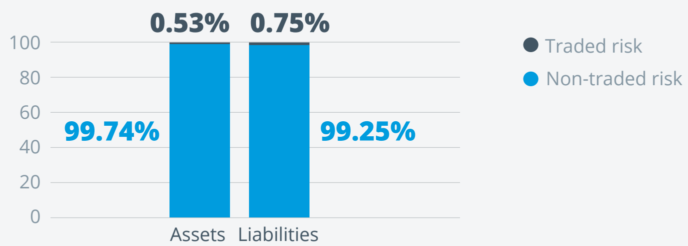
Volume of Earnings at Risk year-end 2022

€75 MILLION

Duration of equity



Exposure market risk year-end 2022



Market risk may arise because de Volksbank concludes contracts and enters into obligations with customers and professional counterparties. Market risk may occur in the banking book and the trading portfolio.

4.4.1 Risk profile

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

4.4.2 Management and control Audited

INTEREST RATE RISK IN THE BANKING BOOK

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

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

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

Short-term interest rate risk: EaR

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

Long-term interest rate risk: EVE

When applying the EVE methodology, we determine the economic value of all future incoming and outgoing cashflows based on current market rates. Duration of equity and basis point values per tenor are the key control measures of EVE sensitivity. Duration of equity is used to express the relative decrease in the EVE in the event of a parallel interest rate increase of 1%. The basis point values per tenor represent the sensitivity in euros to an interest rate shift at specific points on the yield curve, enabling us to identify sensitivity to non-parallel shifts in the market yield curve.

EBA guidelines

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

CURRENCY RISK

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

in € millions	2022	2021
Total net foreign currency exposure (long)	11.9	3.3
Currency exposure as % Total Capital	0.3%	0.1%

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

MARKET RISK IN THE TRADING BOOK

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

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

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

4.4.3 Figures, ratios and trends

Market risk profile in the banking book

Breakdown of interest rate risk

	2022	2021
Duration of equity	1.4	3.7
Earnings-at-Risk (in € millions)	75	67
Credit spread risk liquidity portfolio (in € millions) HTC	127	93
Credit spread risk liquidity portfolio (in € millions) HTCS	156	148

Duration of equity

At year-end 2022, the duration of equity stood at 1.4 (2021: 3.7). Duration was steered downwards in 2022. In general, we opt for a gradual steering of the interest rate risk position through natural balance sheet development. In addition, we use interest rate derivatives, both linear and non-linear instruments.

Earnings-at-Risk

At year-end 2022, the EaR amounted to € 75 million before tax (2021: € 67 million). The increase was mainly caused by the higher interest rates in 2022, resulting in a lower mitigating impact of the interest rate floor.

Credit spread risk

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

Market risk exposure trading and non-trading risk

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

Market risk exposure trading and non-trading risk Audited

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

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

Sensitivity analysis

Sensitivity analyses illustrate the market interest rate risk. The table shows the impact of an immediate parallel shift of the market yield curve of +100 or -100 basis points (bps). We performed these analyses for three components: market value of equity, net interest income and IFRS equity. The impact on net interest income is shown on a one-year horizon. The reported outcomes are before taxation.

Sensitivity interest rates Audited

	2022		2021	
in € millions	**Interest rate +1%**	**Interest rate -1%**	**Interest rate +1%**	**Interest rate -1%**
Market value equity[1]	-91	386	157	1,633
Net interest income[2]	135	-136	72	-67
IFRS equity[3]	-13	61	-54	58

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 IFRS equity expresses the sensitivity resulting from the fair value through OCI investment portfolio and non-linear derivatives for which hedge accounting is not applied to a parallel 100 basis point interest rate increase or decrease.

Market value of equity

We derive the market value of equity from the market value of the assets and liabilities, where possible based on available market prices. If this is not possible, we determine the expected market value on the basis of the net present value of the cash flows. On top of the interest rates, we also take into account any product-specific characteristics, for both the cash flows and the discount rate. The change in the market value of equity is reflected by the difference in value that arises when 1% higher and lower interest rates are discounted.

A parallel interest rate shift would have a negative impact of € 91 million (2021: € 157 million positive) on the market value of equity. The assets mainly consisted of mortgages, the interest rate sensitivity of which is mainly hedged by derivatives, primarily by interest rate swaps. The change compared to 2021 is explained by a decrease in the mortgage pipeline. The derivatives to hedge the pipeline are included in the market value while the pipeline itself, being off-balance, is excluded. The negative impact shows that an interest rate hike will trigger a decline in the value of assets - including derivatives - that is larger than the decrease in the value of liabilities.

The scenario of an interest rate decrease does have a positive effect of € 386 million (2021: € 1,633 million) on the market value of equity. The value of our assets increases, largely offset by a value increase in liabilities. As interest rates have risen significantly compared to last year, the floor on interest rates is no longer impacting the discount rate, but only the customer savings rates. This especially affects the value of the derivatives in a -100 bps scenario compared to last year, leading to smaller upward sensitivity.

Net interest income

A parallel interest rate shift of +100 bps would have yielded a positive impact on net interest income of € 135 million at year-end 2022 (2021: € 72 million), predominantly triggered by the rate hike boosting income from derivatives and the liquidity position. A parallel interest rate shift of -100 bps would have had a negative impact of € 136 million (2021: € 67 million), primarily driven by the lower interest received from derivatives. Compared to last year, a scenario dependent pass-through was applied at year-end 2022, leading to a higher positive result in case of a +100 bps shift. Higher interest rates and consequently the disappearance of the impact of the interest rate floor led to a more negative result in a -100 bps scenario.

IFRS Equity

A parallel interest rate shift of +100 bps will have a direct negative impact on IFRS equity of € -13 million (2021: € -54 million), whereas a parallel interest rate shift of -100 bps will have a positive impact on IFRS equity of € 61 million (2021: € 58 million). The interest rate sensitivity of IFRS equity is reflected in the fair value reserve and other interest income. This is a consequence of changes in the fair value of the HTCS liquidity portfolio, including related interest rate derivatives, combined with the fair value changes of non-linear derivatives not included in hedge accounting. The lower sensitivity for a +100 bps rate shift compared to last year is mainly caused by the non-linear derivatives, which were more sensitive to a rate increase.

4.5 Operational (non-financial) risks

The impact on operational (non-financial) risks can be substantial. We recognise the importance of this and continually measure the results of process and system control for the purpose of further improvements.

Besides financial risks, de Volksbank is also exposed to operational (non-financial) risks, caused by both internal and external factors and developments. For a description of these developments, see Section 4.1.2 Top risks.

In an ever-changing world and increasing regulatory requirements, non-financial risks and their impact on the organisation have become a material factor.

Operational (non-financial) risks stem from inadequate or failed internal processes and systems (IT), human failures or errors, incorrect data or the use of such data, or external events. Such errors manifest themselves in fraud, damage to property, system failure, process errors or a failure to comply with laws and regulations. The ensuing damage may affect our customers and the bank financially or harm our reputation. It is, therefore, essential that we understand – and report - the risks we run and implement effective control measures in a timely and adequate manner.

At de Volksbank, we divide the operational (non-financial) risks into three sub-categories: operational risk, compliance risk and model risk, as described below.

4.5.1 Risk management approach

The Executive Committee (ExCo) dedicates a great deal of attention to managing and controlling operational (non-financial) risks. A Risk Control Framework is in place, and events and incidents are closely monitored for status and solution. An Operational Risk Committee (ORC) reviews and assesses the status and progress of the various sub risk types, on a monthly basis. Overall, the operational risk score is outside the risk appetite (see 4.1.3 Risk appetite and risk indicators). For each sub risk type with an individual score below the risk appetite, dedicated programmes ('Path-to-Green') are being set up in order to reach an acceptable level of risk.

4.5.2 Types of risk and areas of focus

As mentioned above, de Volksbank distinguishes three categories for operational (non-financial) risks: operational risk, compliance risk and model risk. Operational risk and compliance risk are subdivided into other categories, such as: IT systems risk, outsourcing risk, reporting risk, people risk, conduct risk and customer integrity risk.

In the section below, we address the most important developments with regard to all three categories of risk in 2022.

Operational risk

People risk

People risk is the risk of direct or indirect loss caused by a lack of adequate quality and quantity of staff.

Developments in 2022

Mainly due to an increasing sickness absence rate (flu and Covid-19) and labour market shortages, de Volksbank is facing challenges in fulfilling all functions and positions. Although the root cause is partly outside of de Volksbank's circle of influence, an action plan is being drawn up.

In 2022, the Covid-19 pandemic effects lingered on the way of working at de Volksbank. Sickness absence rates varied between 4.5% and 5.5%. Despite the fact that a 'New Way of Working 2.0' was introduced to strive for a better balance between working from home and in the office.

Preparations to start the new way of working according to the agile principles were completed in the first quarter of 2022. As a result, some of the staff became redundant and some new roles, such as product managers, scrum masters and agile coaches were introduced. The external/internal staff ratio is rather high at present, which could result in knowledge outflow. In combination with the tight labour market, making it hard to attract staff in every sector, this remains a concern for de Volksbank. Due to changed circumstances, including internal placement of potentially redundant staff, the restructuring provision has been significantly reduced. For more information on the restructuring provision, please refer to Note 16 Provisions to the consolidated financial statements.

In the second half of 2022, nationwide inflation became critical. De Volksbank has programmes to support customers who have trouble paying their monthly mortgage payments and energy bills. But for our own staff, too, we have coaches and programmes in place when the need arises.

Process risk

Process risk is the risk of direct or indirect loss resulting from inadequate or failed processes, including the completeness and structure of processes and process governance.

Developments in 2022

Over 2022, we noticed a decline in timely modifications of process descriptions and the timely resolution of audit recommendations. This is partly caused by the change related to the transition to agile working and the overall staff shortage. An action plan is in place to address these issues.

In 2022, further progress was made towards strengthening the processes that monitor operational risk control. We also continued to work on the implementation of the Governance, Risk and Compliance (GRC) tool, a risk management application that simplifies the recording of our business operations data, enabling us to perform more in-depth analyses of the effectiveness of our risk management framework. We continued the implementation of Policy Management and Policy Compliancy procedures in the GRC tool and we focused specifically on the operational risk control of the transition to the agile cooperation model and enhanced procedures to monitor the effectiveness of operational controls.

De Volksbank strengthened its ability to perform process scenario analyses to further improve the quality of the risk framework.

IT systems risk

IT systems risk is the risk of direct or indirect loss resulting from inadequate or failed internal (IT) systems.

Developments in 2022

Based on a roadmap called 'IT within Risk Appetite', steps are taken to modernise our IT landscape. Essential to this are the implementation of continuous delivery pipelines and migration to the cloud. The coverage of the IT key controls is also broadened and this is implemented in and by the teams in the new organisation. This will be continued in 2023.

De Volksbank continuously monitors cyber threats and attacks to maintain a secure IT landscape.

With ever-increasing cyber (crime) threats, we continued to strengthen the bank's resilience and (cyber) security. We also increased the coverage of the IT key controls.

We performed several disaster recovery tests, crisis management team tests and back-up and data recovery tests. We analysed new relevant IT-related legislation such as the Digital Operational Resilience Act (DORA), the implementation of which has started and will continue in 2023.

Data management risk

Data management risk is the risk of loss for de Volksbank and its customers arising from shortcomings in our data, data definitions and data structures or their use. This involves the entire life cycle of data from data entry, development, interpretation, storage and deletion to phase-out. As of mid-2022, this risk explicitly includes arrangements with third parties.

Developments in 2022

With respect to data management risk, overall governance and monitoring of status and execution of related key controls need to be reinforced. To solve this situation, an action plan is being drawn up that will be implemented in 2023.
At de Volksbank, a dedicated Data Management policy, which focuses on the ownership of the data and the measurement and monitoring of data quality, is in place. Each business unit is assisted by data stewards in setting up and improving the required data environment. A Data Quality Dashboard is part of this environment.

Reporting risk

Reporting risk is the risk that the reporting process does not function or does not function properly, leading to a lack of reliable and timely reporting.

Developments in 2022

After finalising a dedicated project (entitled *Deltawerken*) at the end of 2021 to deliver a robust reporting infrastructure, de Volksbank took this infrastructure into further operation in 2022. The results are satisfactory. As several (regulatory) reports still need to be transferred to this infrastructure, remaining deliverables and implementation tasks have been transferred to the Finance function; the schedule for this is available and runs until the end of 2025.

A programme to improve the quality of our financial key controls has almost been completed. The already available results have been implemented as Financial Key Controls in the applicable Control Framework. Their effectiveness will be tested as from the beginning of 2023. The programme will be continued in 2023 and will be transferred as 'business-as-usual' to the Finance function in the course of 2023.

At the request of the ECB, we performed an analysis of our compliance with BCBS 239 (the Principles for Effective Risk Data Aggregation and Risk Reporting, PERDARR) requirements. This has resulted in an improvement plan that will be carried out in 2023.

In 2021, de Volksbank reassessed its capital treatment policy for exposures to Swiss Cantons and the Swiss cantonal banks guaranteed by Swiss Cantons. This resulted in an adjustment of risk-weighted assets as at 31 December 2021. In August 2022, de Volksbank received an information request from the ECB, which includes information on the impact on the capital ratios for earlier reporting periods. We have submitted answers to this request and are now awaiting a response from the ECB. Depending on the ECB's findings, a measure may be imposed. For more information, see Section 4.8.4 Risk-weighted assets (RWA).

Legal risk

Legal risk is the risk of financial loss or reputational damage due to legal or regulatory events originating from lack of awareness, incorrect or altered interpretation or non-compliance with laws and regulations that apply to de Volksbank and its entities in relation to its agreements, liabilities, processes, products and services.

Developments in 2022

The number of legal claims remained stable. Notes 20 Contingent liabilities and commitments and 21 Legal proceedings to the consolidated financial statements include an overview of material legal proceedings involving de Volksbank.

Events related to mortgage and consumer credit files are adequately processed. No material new litigation was started against de Volksbank in 2022.

Change risk

Change risk is defined as the risk of direct or indirect loss due to inadequate design, execution or implementation of changes or of deployment of processes, resources, products or services, as a result of insufficient execution power or change competencies.

Developments in 2022

On 1 March 2022, de Volksbank launched a new way of working according to the Agile principles, through which we aim to become more agile and customer oriented. The entire agile transition process will take two to three years to complete.

Outsourcing risk

Outsourcing risk is the risk of financial loss or reputational damage due to the performance of an outsourcing partner or due to inadequate oversight and control of outsourced activities.

Developments in 2022

One of the pillars of de Volksbank's strategy 2021-2025 'better for each other - from promise to !mpact' is to become a more efficient and flexible organisation. De Volksbank aims to increase its efficiency with partnerships and outsourcing and by using its capital in a more effective way.

In 2022, de Volksbank launched a programme to improve governance, policies and procedures related to outsourcing and to further comply with applicable legislation. The resulting policies and procedures were finalised and approved in the fourth quarter of 2022 and overall results were shared with the ECB. In line with this, de Volksbank is in the process of improving the quality of the existing contracts. In addition to improved policies and procedures, de Volksbank is implementing new tools to support procurement and outsourcing initiatives. Further execution and implementation of the aforementioned initiatives will continue during 2023.

The new outsourcing programme causes a situation in which the business is not yet able to show the required level of effectiveness and compliance. It is expected that once the business is accustomed to the new programme the applicable risk appetite scores will improve.

Crime risk

Crime risk is the risk of internal or external criminal actions that may lead to damage to or loss for customers, employees or de Volksbank.

Developments in 2022

External and internal fraud remained an important topic in 2022. The number of external payment fraud cases for de Volksbank remained stable, with helpdesk fraud being the most common modus operandi. We continued our efforts to create public awareness. As the number of people facing financial difficulties as a result of economic developments increased, the number of incidents involving aggression and violence towards our employees showed a gradual increase.

Compliance risk

We define compliance risk as the risk that de Volksbank fails to comply with laws, or the spirit of any such laws, and additional regulations, self-regulation and relevant codes of conduct.

The Compliance Function continuously monitors compliance with laws, regulations and internal policies. The taxonomy of compliance risk distinguishes three sub-risks: conduct risk, customer integrity risk and business integrity risk. We ensure better identification and management of compliance risks by means of tools, such as regulatory technology, dashboarding and new privacy tooling.

Developments in 2022

Below, we describe the most important compliance risk-related developments in 2022.

Compliance Function

After the Compliance Function was further enhanced and strengthened following the Compliance Improvement Programme in 2021, last year the focus was both on maintaining and embedding the results and on further professionalisation.

Customer integrity risk

AML, CFT, Tax integrity and Sanctions

As a gatekeeper, de Volksbank helps detect and prevent financial crime, taking a holistic approach to customer integrity in relation to anti-money laundering, to countering the financing of terrorism and to compliance with sanctions and tax regulations. We consider the gatekeeper function to be an integral part of our business operations. In 2022, de Volksbank continued to increase investments in this domain. The Compliance Function continuously monitors de Volksbank's customer integrity framework.

De Volksbank is determined to take all necessary steps to fulfil its gatekeeper responsibilities for which we closely follow updated legislation. Despite additional investments, de Volksbank experienced delays in executing the improvement plan which has been commenced in 2020 and should have addressed the shortcomings that have been concluded by DNB in that same year. We have an ongoing dialogue with DNB on this subject. As a result we decided we need to further expand and deepen the improvement programme that started in 2020 enabling us to remediate and implement a future-proof and robust customer integrity framework. Consequently, in the upcoming period de Volksbank makes additional investments in this domain, both in relation to personnel and systems. Furthermore, in 2022 DNB conducted a supervisory review within de Volksbank on customer integrity. We expect DNB findings in the first half of 2023.

De Volksbank closely followed the various EU packages of sanctions, whereupon we severely restricted transactions with Russia and Belarus, as well as with the Donetsk, Cherson, Zaporizhzhia and Luhansk areas in Ukraine. Improving our sanction-related control measures, such as sanctions screening, is an ongoing process. This will include remediation of findings from regulatory testing of our sanction screening system conducted by DNB during second half of 2022. Furthermore, we closely followed, and will continue to follow, new and updated legislation on the subject of customer integrity.

Products that meet customer needs & expectations

The financial industry has a responsibility to provide safe and legally compliant products. Emphasising this responsibility is de Volksbank's ambition to operate with a ‘human touch’. This is translated in product governance and oversight policies, enhanced in recent years. Products are reviewed by norms and standards that evolve over time, such as the interpretation of clauses on floating interest rates of consumer credit. Interest-only mortgages, too, are subject to progressing standards. This has considerable impact on the bank and requires a just and fair way to balance the interests of customers and the bank alike.

In 2022, in consultation with the ECB, we explored additional de-risking measures for interest-only mortgages in the Netherlands. These measures may result in further scrutiny of future loan volume development, impairment charges and capital. The exploration of additional de-risking measures involves several legal and compliance aspects which are taken care of by the applicable departments.

Compliance gives advice on key decisions and deems the decision-making process appropriate.

General Data Protection Regulation (GDPR)

De Volksbank continues to enhance compliance with the GDPR to protect the privacy of our customers and employees. For example, we continued to develop Privacy Governance. A team of privacy officers in the first line, which supports the ongoing implementation of the GDPR, was trained by the Data Protection Officer of the Compliance Function. We also made a start with incorporating the Processing Register into privacy tooling. This tooling will also facilitate the continued development of privacy management within the organisation.

Following the decision by the Court of Justice of the European Union (CJEU) regarding data transfers, we are examining and assessing all contracts with (sub)processors for the risks resulting from data processing in countries outside the European Economic Area (EEA). In addition, we are in the process of concluding new Standard Contractual Clauses (SCC), where applicable. Further establishing privacy compliance within the old data warehouse has our full attention.

Conduct risk

Genuine attention for our employees

Our code of conduct entitled ‘Common Sense, Clear Conscience’ is principles based and provides our employees with guidance and insights, for instance on how to handle a conflict of interest or on inappropriate behaviour. To assist staff in assessing situations, we updated our code of conduct with specific available scenarios.

Business integrity risk

In September 2022, de Volksbank launched its annual ‘Integrity in the Organisation’ survey. The goal of this measurement is to obtain a deep understanding of the day-to-day work environment and how the organisational culture is supporting employees to act with integrity on a day-to-day basis. This insight allows us to prevent potential undesired behaviour and manage behavioural risks. This year’s baseline measurement consists of a survey, followed up by an employee integrity feedback session to understand and provide insight into the outcomes, resulting in a first overview of the organisational culture in relation to acting with integrity. The first follow-up measurement is planned for 2023. This allows de Volksbank to manage behavioural risks within the organisation, expose and analyse potential behavioural risks, and to even better understand how to help employees act with integrity and in line with our purpose, strategy and code of conduct.

Model risk

Model risk is defined as the risk that the financial position of the bank, or the customers' interests, is negatively impacted by the use of models. Model risk arises from errors in the development, implementation, use, or interpretation of models, leading to inaccurate, incompliant, or misinterpreted model output.

Developments in 2022

Model improvement and development is an ongoing process involving many discussions and iterations with supervisory authorities. For certain models, review and formal approval by the supervisory authority is still pending. We paid a great deal of attention to ensuring compliance with regulations related to regulatory capital and provisions, especially with respect to the residential mortgage portfolio. Throughout the year, we validated the active model versions for regulatory capital and the IFRS 9 provisioning for our residential mortgages in accordance with regulatory requirements. This resulted in two additional model refinements for regulatory capital in order to sufficiently mitigate model risk. For more information, see Section Risk-weighted assets (RWA) in Chapter Capital management. The most important change was the implementation of the updated IFRS 9 Expected Credit Loss (ECL) model for residential mortgages, which contains model refinements i.a. with regard to interest-only mortgages. For more information, see Section 4.3.3 Provisioning methodology in Chapter Credit risk.

We also validated numerous market risk models, in accordance with their respective validation frequencies.

Finally, the policies on model risk were updated to bring them in line with the organisational changes and to make them more risk-based. As the resources used are better aligned with the model risk level, this now enables us to assess and mitigate model risk more efficiently. The latter was also a major step in the transition from a model validation-focussed approach to a more comprehensive model risk management approach.

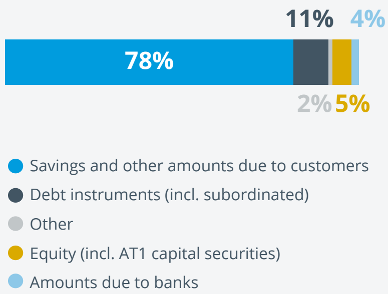
4.6 Liquidity risk and funding strategy

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

Liquidity position year-end 2022

€ 17.2 BILLION

Funding mix



Green notes issuance in 2022

€ 0.8 BILLION

Long-term senior unsecured credit rating

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

Liquidity management supports de Volksbank's strategy within our risk appetite.

4.6.1 Risk profile

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

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

4.6.2 Management and control Audited

De Volksbank centrally manages its liquidity position, cash flows and liquidity risks.
The risk management cycle as defined in Section 4.1 Risk Management Structure that is used to manage liquidity risk constitutes the Internal Liquidity Adequacy Assessment Process (ILAAP). This process is performed on a continuous basis, to monitor de Volksbank's liquidity profile and to ensure the timely awareness of developments that may require action.

The objective of the ILAAP is to ensure appropriate coverage of all liquidity risk and control elements, and to evaluate how planned and expected developments could influence the adequacy of de Volksbank's liquidity profile. The risk management lifecycle applies to liquidity risk management in the following way:

1. Identification of liquidity risks: we continuously aim to identify all potential risks within the scope of liquidity management. For example, we perform an independent risk review of all relevant liquidity management-related proposals.
2. Assessment of liquidity risks: one element of the ILAAP is that we continuously assess the adequacy of our liquidity profile and liquidity risk management. ILAAP provides input for the ECB's Supervisory Review & Evaluation Process (SREP). We present the outcome of our assessment in the annual ILAAP Liquidity Adequacy Statement (LAS) report. We compare the current and expected risk profile with the risk limits that we have established. We not only use our findings to make adjustments to the actual liquidity profile, risk appetite, policy or guidelines, but also to improve the risk management process. Liquidity risk assessment within the liquidity risk management lifecycle also entails:
   - the annual recalibration of the liquidity management strategy. We lay down guidelines for a balance sheet structure with optimum efficiency from a liquidity risk perspective. In this process, we take account of the liquidity management objective, i.e. an adequate liquidity and funding profile.

- the definition of actions in the capital and liquidity plan. We do this at least once a year, giving substance to the anticipated funding and liquidity needs ensuing from the Operational Plan. This plan has a multi-year horizon. To this end, we make forecasts of relevant risk indicators compared with the internal thresholds and work out various scenarios.
- the updating of forecasts in the monthly Liquidity Adequacy Assessment Report (LAAR). The forecasts are updated every month based on the most recent insights and reported to the Asset and Liability Committee (ALCO). The LAAR includes a LAS based on the current risk profile versus the risk thresholds and a forward-looking assessment.
- regular stress testing to provide insight into the key vulnerabilities and to assess the resilience of the liquidity position to severe but plausible adverse (economic) conditions. The results are included in the LAAR.
- drawing up a recovery plan and contingency plan for adverse circumstances. This plan contains possible measures to strengthen the liquidity position. An annual update of the recovery plan contributes to de Volksbank's continuity. For more information, see Section 4.8.2 Management and control.

3. Risk response to liquidity risks: every year, we determine the Risk Appetite Statement (RAS) for liquidity risk in conjunction with de Volksbank’s general risk appetite and strategic objectives. To monitor liquidity risk, we use specific risk indicators and determine the level at which we feel comfortable on the basis of the liquidity risk appetite.
4. Monitoring liquidity risks: we monitor early warning indicators defined in the RAS for liquidity risk on a regular basis in the Treasury Committee. On top of this, the ALCO monitors the RAS indicators in the LAAR on a monthly basis.
5. Residual risk: because of (unexpected) balance sheet or regulatory developments, we may not be able to identify or fully manage liquidity risks at all times. By carrying out the liquidity risk management lifecycle, we aim to identify these risks and formulate a risk response.
6. Reporting liquidity risk indicators: we prepare regulatory and internal reports to measure, monitor and manage de Volksbank’s liquidity profile on an ongoing basis.

MANAGEMENT INSTRUMENTS

Liquidity position

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

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

Liquidity stress testing

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

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

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

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

Key liquidity ratios

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

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

4.6.3 Figures, ratios and trends

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

Liquidity indicators

Liquidity indicators

	2022	2021
LCR	233%	324%
NSFR	174%	176%
Loan-to-Deposit ratio[1]	90%	86%
Liquidity position (in € millions)	17,208	22,570

1 For the measurement methodology of this KPI, reference is made to the paragraph Reconciliation of alternative performance measures in this Annual Report.

The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) remained well above the regulatory minimum of 100%. As at 31 December 2022, the LCR stood at 233% (year-end 2021: 324%) and the NSFR at 174% (2021: 176%).

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

The Loan-to-Deposit ratio, i.e. the ratio between loans outstanding and deposits attracted (see also Section 1.4.3 Reconciliation of APMs), increased to 90% at year-end 2022, from 86% at year-end 2021. This increase was driven by € 1.2 billion loan growth accompanied by a € 0.9 billion reduction in deposits. The latter is mainly explained by the outflow of mono savings customers following the introduction of a Basic Banking package as from 1 July 2022 for SNS and RegioBank customers and as from 1 October 2022 for ASN Bank customers.

Liquidity position Audited

Liquidity position Audited

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

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

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

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

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

4.6.4 Encumbered and unencumbered assets

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

Encumbered and unencumbered assets 2022

	Four-quarter median				Year-end			
	Encumbered assets		Unencumbered assets		Encumbered assets		Unencumbered assets	
in € millions	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Equity securities	--	--	9	9	--	--	10	10
Debt securities	637	638	4,858	4,829	746	743	4,832	4,792
Other assets	8,297	--	60,282	--	8,185	--	59,382	--
- of which mortgage loans	6,987	--	42,035	--	6,942	--	42,265	--
Assets of the reporting institution	**9,012**	**--**	**65,052**	**--**	**8,931**	**--**	**64,224**	**--**

Encumbered and unencumbered assets 2021

	Four-quarter median				Year-end			
	Encumbered assets		Unencumbered assets		Encumbered assets		Unencumbered assets	
in € millions	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Equity securities	--	--	8	8	--	--	9	9
Debt securities	627	637	4,911	4,936	543	552	5,081	5,106
Other assets	8,801		56,505		8,788		57,659	
- of which mortgage loans	*7,403*		*39,862*		*7,669*		*40,403*	
Assets of the reporting institution	**9,394**		**61,423**		**9,331**		**62,749**	

IMPORTANCE OF ASSET ENCUMBRANCE

De Volksbank's main sources of funding are savings deposits and current account balances. In addition, we attract funding from the capital market through various funding instruments, as explained in more detail in Section 4.6.5 Funding strategy. These funding instruments include secured debt instruments such as covered bonds and securitisations. We have encumbered a limited part of our loan portfolio in these secured transactions. Other sources that contribute to asset encumbrance are the margining of derivative exposures to manage interest rate risk, a savings-based mortgage arrangement with Athora Netherlands and mandatory minimum reserve requirements.

TOTAL ENCUMBERED ASSETS

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

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

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

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

UNENCUMBERED ASSETS

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

COLLATERAL RECEIVED

At year-end 2022, de Volksbank received a total amount of € 2.4 billion in collateral (2021: € 93 million), consisting entirely of cash deposits that serve as collateral for the positive fair value of outstanding derivative positions.

4.6.5 Funding strategy

Our funding strategy supports de Volksbank's overall strategy.

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

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

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

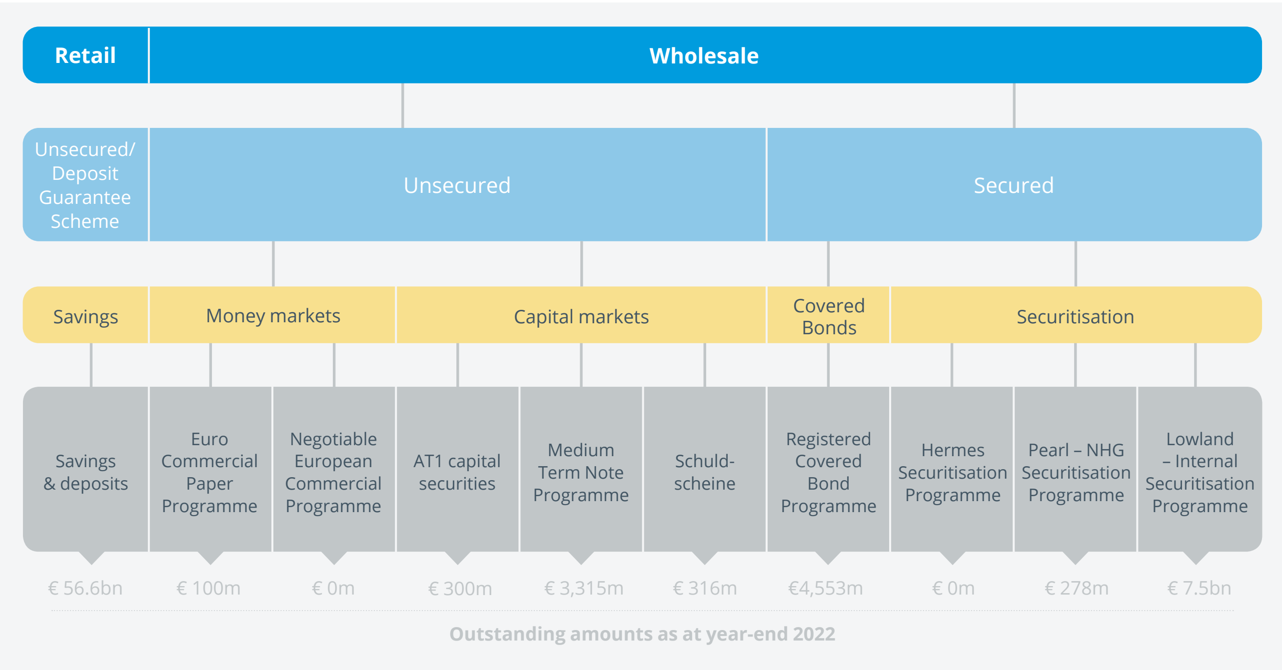
In addition to (subordinated) capital market funding to strengthen the bank's capital and MREL position, de Volksbank issues capital market funding with maturities over one year through:

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

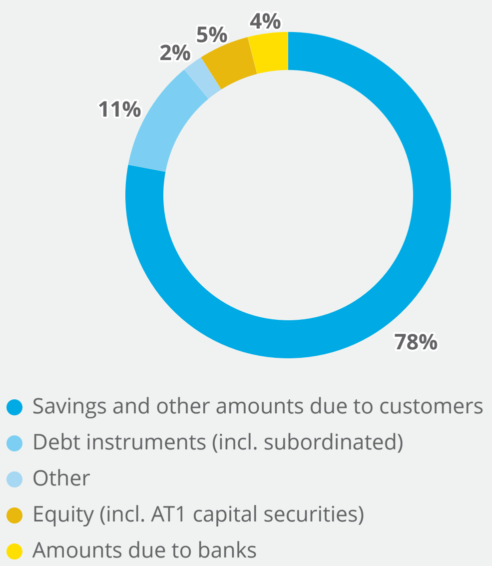
The covered bond programme not only permits the issue of public covered bonds but also of private placements.

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

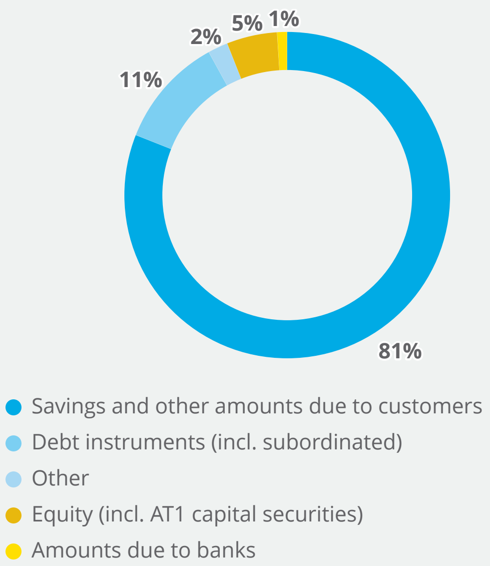
The overview below presents the various public funding programmes, including maximum amounts and outstanding nominal value available to de Volksbank at year-end 2022. The overview also includes other important funding sources.



Equity and liability mix 2022 € 73.2 billion
(Book value)



Equity and liability mix 2021: € 72.1 billion
(Book value)



The diagrams above provide an overview of the book value-based composition of equity and total liabilities as at year-end 2022 and 2021. The percentage of our funding that is made up of savings and other amounts due to customers decreased to 78% (year-end 2021: 81%), mainly due to an increase in amounts due to banks driven by a rise of cash collateral received in relation to derivative positions.

The table below provides an overview of the outstanding capital market funding with an original term of more than one year at year-end 2022 and 2021.

Capital market funding mix (nominal)

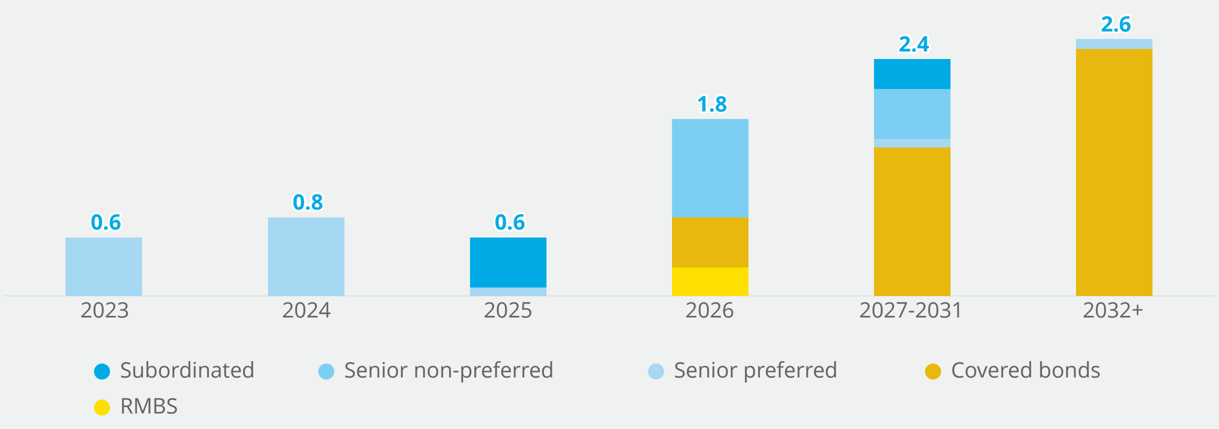
in € millions	2022	% of total	2021	% of total
AT1 and Tier 2 capital instruments	800	9%	500	6%
Of which green bonds	*800*		*500*	
Senior non-preferred	1,500	17%	1,000	12%
Of which green bonds	*1,500*		*1,000*	
Senior preferred	1,631	19%	1,980	24%
Of which green bonds	*500*		*1,000*	
Covered bonds	4,553	52%	4,368	54%
RMBS	278	3%	344	4%
Total capital market funding	**8,762**		**8,192**	
- of which green bonds	*2,800*		*2,500*	

In 2022, de Volksbank successfully executed several capital market funding transactions to strengthen its capital and MREL position, i.e.:
- € 0.3 billion in green perpetual Additional Tier 1 capital securities with a first reset date in 2027;
- € 0.5 billion in green senior non-preferred debt with a 5-year (non-call 4-year) maturity;
- € 0.2 billion in senior preferred debt with a 2-year maturity.

De Volksbank also successfully issued € 0.2 billion in covered bonds with maturities of at least 16 years to manage its balance sheet risk.

As capital market funding redemptions in 2022 were limited to € 0.6 billion, capital market funding rose from € 8.2 billion to € 8.8 billion as at year-end 2022.

Capital market funding maturity calendar
(in € billions)



The diagram above presents an overview of the maturity calendar of the capital market funding outstanding with an original maturity of more than one year. In the diagram we apply the assumption that this funding will be redeemed at the first call dates. To strengthen our MREL position, we plan to issue senior non-preferred debt in 2023. We also plan to issue covered bonds.

Maturities of assets and liabilities

We can break down the assets and liabilities according to the remaining contractual term. The net maturing nominal amounts, i.e. assets minus liabilities per maturity are an indication of the:
- liquidity risk;
- obligations that may not be met on time from inflows.

The uppermost table on the next page represents de Volksbank's liquidity profile at year-end on the basis of the remaining contractual maturity. Demand deposits and current account balances are presented in the '<1 month' column. In the tables, we maintain the contractual maturity without taking into account behavioural aspects such as mortgage prepayments.

We do however, take into account behavioural aspects in the bank's asset & liability management. A shorter term to maturity is used for mortgages due to anticipated prepayments. A longer term to maturity is used for demand deposits and balances in customers' current accounts as, in normal circumstances, customers tend to hold on to such products for longer periods of time.

Loans and advances to banks and amounts due to banks also include collateral delivered and received in relation to derivative transactions. This collateral is allocated to the maturity buckets in accordance with the maturity classification of the derivative contracts. The bottom tables on the next pages provide a breakdown of the liquidity profiles for financial liabilities and derivatives on the liability side of the balance sheet at year-end. The tables also show the related future undiscounted contractual cashflows.

Remaining contractual maturity of assets and liabilities 31 December 2022 Audited

in € millions amounts discounted	< 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Not determined	Total
ASSETS							
Investments	70	121	607	2,513	2,276	--	5,587
Derivatives	140	97	99	476	2,490	--	3,302
Loans and advances to customers	303	477	1,077	3,611	43,654	-156[1]	48,966
Loans and advances to banks	1,326	2,749	1,922	706	181	--	6,884
Other	8,013	2	27	262	8	104	8,416
- of which right of use of lease contracts	*1*	*2*	*27*	--	*8*	--	*38*
Total assets	**9,852**	**3,446**	**3,732**	**7,568**	**48,609**	**-52**	**73,155**
LIABILITIES							
Total equity	--	--	--	--	--	3,708	3,708
Subordinated debts	--	--	--	500	--	--	500
Debt certificates	100	--	490	3,526	3,428	--	7,544
- of which senior unsecured	--	--	490	2,252	82	--	2,824
- of which covered bonds	--	--	--	996	3,346	--	4,342
- of which RMBS	--	--	--	278	--	--	278
- of which CP/CD (short term)	-	--	--	--	--	--	--
Derivatives	151	89	87	358	239	--	924
Savings	42,621	20	86	528	1,246	--	44,501
- of which due on demand	42,608	--	--	--	--	--	42,608
Other amounts due to customers	10,684	51	103	229	1,582	--	12,649
- of which senior unsecured	-	-	51	63	20	-	134
- of which covered bonds	-	-	-	46	111	-	157
Amounts due to banks	450	72	84	353	1,846	--	2,805
- of which senior unsecured	--	--	10	--	--	--	10
- of which secured (short term)	--	--	--	--	--	--	--
- of which other	450	72	73	353	1,846	--	2,794
Other	392	3	34	--	12	83	524
- of which lease liabilities	1	3	34	--	12	--	50
Total equity and liabilities	**54,398**	**235**	**884**	**5,494**	**8,353**	**3,791**	**73,155**

1 This relates to the provision on loans and advances to customers.

Maturity schedule for financial liabilities 31 December 2022 Audited

In € millions cashflows not discounted	< 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Total
Subordinated debts	--	--	9	518	--	526
Debt certificates	107	25	574	3,194	4,239	8,140
Savings	42,570	20	86	528	1,246	44,450
Other amounts due to customers	10,184	45	219	712	1,793	12,953
Amounts due to banks	27	4	14	233	1,321	1,598
Lease obligations	1	3	34	--	12	50
Total	**52,889**	**97**	**936**	**5,185**	**8,611**	**67,718**
DERIVATIVES						
Interest rate derivatives	13	17	176	351	143	700
Currency contracts	120	77	46	6	--	249
Total	**133**	**94**	**222**	**357**	**143**	**949**
OFF-BALANCE SHEET COMMITMENTS						
Loan commitments given	2,204	--	--	--	--	2,204
Financial guarantees and other commitments	436	--	--	--	--	436
Total off-balance sheet commitments	**2,640**	**--**	**--**	**--**	**--**	**2,640**

Remaining contractual maturity of assets and liabilities 31 December 2021 Audited

in € millions amounts discounted	< 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Not determined	Total
ASSETS							
Investments	216	--	505	2,484	2,429	--	5,634
Derivatives	76	23	19	159	314	--	591
Loans and advances to customers	407	282	1,147	3,590	45,251	-107[1]	50,570
Loans and advances to banks	1,642	1,186	1,111	306	282	--	4,527
Other	10,454	2	10	235	--	58	10,759
- of which right of use of lease contracts	*1*	*2*	*7*	*34*	--	--	*44*
Total assets	**12,795**	**1,493**	**2,792**	**6,774**	**48,276**	**-49**	**72,081**
LIABILITIES							
Total equity	--	--	--	--	--	3,486	3,486
Subordinated debts	--	--	--	500	--	--	500
Debt certificates	90	30	612	2,359	4,311	--	7,402
- of which senior unsecured	--	--	*532*	*1,520*	*631*	--	*2,682*
- of which covered bonds	--	--	--	*495*	*3,680*	--	*4,175*
- of which RMBS	--	--	--	*344*	--	--	*344*
- of which CP/CD (short term)	*90*	*30*	*80*	--	--	--	*200*
Derivatives	147	29	44	311	482	--	1,013
Savings	43,568	38	145	624	1,305	--	45,681
- of which due on demand	*43,553*	--	--	--	--	--	*43,553*
Other amounts due to customers	10,009	2	29	426	1,981	--	12,447
- of which senior unsecured	--	--	*20*	*298*	*51*	--	*370*
- of which covered bonds	--	--	--	*52*	*111*	--	*163*
Amounts due to banks	215	4	760	25	55	--	1,059
- of which senior unsecured	--	--	--	--	*5*	--	*5*
- of which secured (short term)	--	--	*757*	--	--	--	*757*
- of which other	*215*	*4*	*3*	*25*	*50*	--	*297*
Other	314	3	11	96	--	70	493
- of which lease liabilities	0	3	11	43	--	--	57
Total equity and liabilities	**54,343**	**105**	**1,601**	**4,341**	**8,134**	**3,556**	**72,081**

1 This relates to the provision on loans and advances to customers.

Maturity schedule for financial liabilities 31 December 2021 Audited

In € millions cashflows not discounted	< 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	> 5 years	Total
Subordinated debts	--	--	9	526	--	535
Debt certificates	96	60	685	2,454	4,571	7,866
Savings	44,778	38	129	293	409	45,645
Other amounts due to customers	10,130	19	131	921	1,888	13,089
Amounts due to banks	216	4	746	26	56	1,046
Lease obligations	0	3	11	43	0	57
Total	55,221	124	1,711	4,263	6,924	68,243
DERIVATIVES						
Interest rate derivatives	13	46	170	449	137	814
Currency contracts	145	23	24	4	-0	197
Total	**158**	**69**	**194**	**453**	**137**	**1,011**
OFF-BALANCE SHEET COMMITMENTS						
Loan commitments given	2,533	--	--	--	--	2,533
Financial guarantees and other commitments	520	--	--	--	--	520
Total off-balance sheet commitments	**3,053**	**--**	**--**	**--**	**--**	3,053

4.7 Credit ratings

Credit ratings as at 31 December 2022

	Long-term rating	Short-term rating	Outlook
S&P	A	A-1	Stable
Moody's	A2	P-1	Stable
Fitch	A-	F1	Stable

In 2022, S&P upgraded de Volksbank's long term senior preferred debt rating from A- (stable outlook) to A, also with a stable outlook. The short-term rating was upgraded from A-2 to A-1. Fitch and Moody’s reaffirmed the credit ratings and outlook for preferred debt of de Volksbank.

RATING AMBITION

De Volksbank strives for solid long-term stand-alone ratings that are in line with its business profile, where possible supported by additional increases as a result of a strong and improving balance sheet structure. To achieve this, de Volksbank intends to further diversify its capital base. Stable development of the mortgage portfolio and adequate profitability are prerequisites for solid stand-alone ratings. Although rating agencies generally regard de Volksbank’s focus on Dutch mortgages as a concentration risk, its strong capital position sufficiently compensates for this.

DEVELOPMENTS IN CHRONOLOGICAL ORDER

On 1 February 2022, S&P published a report in which it commented on the ratings of several Dutch banks, in the light of its revised rating criteria. The credit ratings of de Volksbank were affirmed, although the uplift from S&P’s Additional Loss Absorbing Capacity (ALAC) analysis was capped at one notch, where the bank first received two notches. Conversely, the negative adjustment of one notch to reflect the pressure on the bank’s profitability as perceived by S&P was removed.

On 28 July 2022, Moody’s published a report with an update of de Volksbank’s credit ratings, affirming the ratings and maintaining the stable outlook. According to Moody’s, the credit ratings reflect de Volksbank’s very low risk profile, strong capital base and moderate profitability, and the application of Moody's Advanced Loss Given Failure (LGF) analysis, which results in a low loss-given-failure and one notch of uplift on senior preferred debt instruments.

On 26 October 2022, S&P upgraded de Volksbank’s long-term credit rating to A, from A-, and the short-term credit rating to A-1, from A-2. The outlook remained stable. The upgrade reflected the changed view of S&P on the preferred resolution strategy for de Volksbank, which is ‘sale of business’. Previously they believed this would imply additional risks to senior creditors in a resolution scenario versus an open bank bail-in, which resulted in the cap on the uplift from the ALAC analysis of one notch. The changed view led to the removal of this cap and the full recognition of it, providing two notches of support.

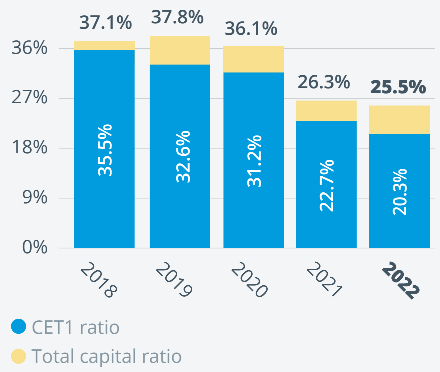
On 15 November 2022, Fitch published a report in which they affirmed the credit ratings of de Volksbank and maintained the stable outlook. According to Fitch, the credit ratings of de Volksbank reflect its simple but concentrated business model, sound asset quality and overall moderate risk profile, satisfactory capitalisation and leverage, and stable funding underpinned by a granular and stable deposit base.

The S&P, Moody’s and Fitch rating reports are available on de Volksbank’s website.

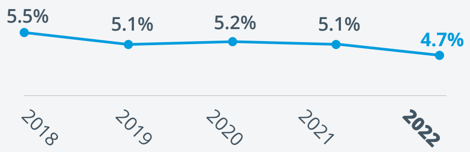
4.8 Capital management

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

Total capital ratio



Leverage ratio



Common Equity Tier 1 ratio year-end 2022

20.3%

Risk-weighted assets

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

4.8.1 Capital requirements

REGULATORY REQUIREMENTS

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

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

CRR/CRD IV requirements as from 1 January 2023

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

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

INTERNAL MINIMUM LEVEL

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

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

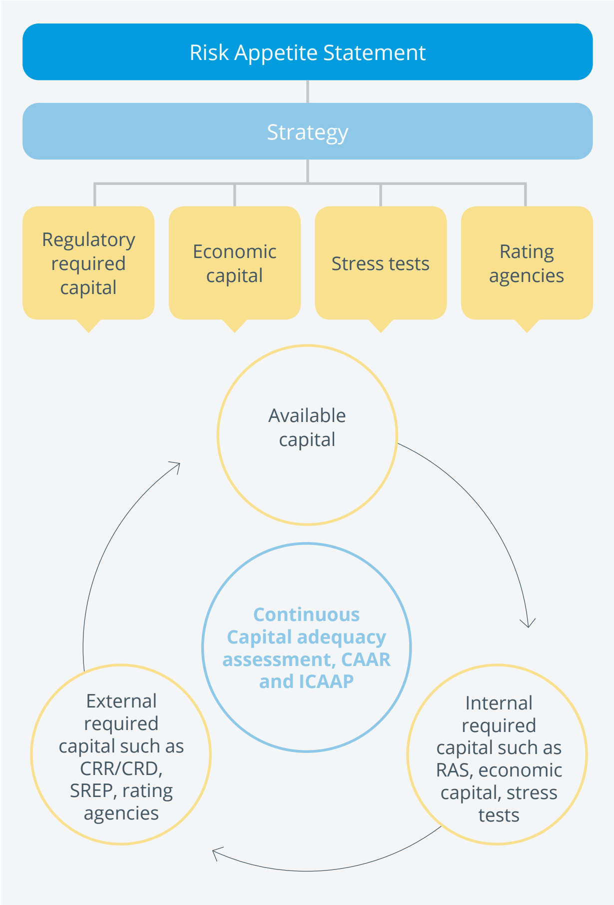
In time, management buffers – and thus the capital targets – may be revised, for example when the final impact of Basel IV has become clear. Capital expected to sustainably exceed our minimum targets is available for distribution, subject to regulatory approval.

4.8.2 Management and control Audited

CAPITAL MANAGEMENT STRATEGY

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

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



REGULATORY CAPITAL AND MREL

The minimum amount of capital required by law, i.e. regulatory capital, is based on risk-weighted capital ratios (CET1 capital, Tier 1 capital, total capital) and the required non-risk-weighted capital ratio, i.e. the leverage ratio. As described in Section 4.8.1 Capital requirements, the minimum risk-weighted capital ratios are based on the SREP. In addition to these required capital ratios, de Volksbank calculates and reports the Minimum Requirements for Own Funds and Eligible Liabilities (MREL) on both a risk-weighted and non-risk-weighted basis, as required by law as from 1 January 2022.

ECONOMIC CAPITAL

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

1. Our calculations of economic capital include all risks from which material losses may ensue within a one-year horizon according to internal insight. Thus, we consider more types of risk than in regulatory capital calculations.
2. Using our own insight, we translate our risk appetite into internal capital requirements, partly based on the desired credit rating. For more information, see Section 4.7 Credit ratings.

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

STRESS TESTING

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

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

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

RATING AGENCIES

The bank's creditworthiness is assessed by credit rating agencies S&P, Moody's and Fitch. To determine a credit rating, they look at aspects such as our capital position. To ensure that our capital ratios are in line with our credit rating ambition, we include the corresponding capital requirements in our capital planning. For more detailed information about our credit ratings, see Section 4.7 Credit ratings.

CAPITAL ADEQUACY LIFECYCLE

The risk management lifecycle as defined in Section 4.1 Risk Management Structure applies to capital management in the following way:

1. Identification of risks within the scope of capital adequacy: we continuously aim to identify all potential, material and emerging risks within the scope of capital adequacy. For example, we perform an independent risk review of all relevant proposals related to capital adequacy.
2. Assessment of the risk profile against the risk thresholds by comparing the risk exposure with the available capital from own funds and MREL eligible liabilities: as part of the ICAAP, we continuously assess the adequacy and effectiveness of the risk management framework as far as capital adequacy and its compliance with internal policies and the risk appetite framework are concerned. ICAAP provides input for the ECB's SREP. We present the outcome of the assessment in the annual ICAAP Capital Adequacy Statement (CAS) report. The assessment of (expected future) capital exposure and developments also comprises the:
   - Annual recalibration of the capital management strategy.
   - Definition of actions in the capital and liquidity plan, which we draw up at least once a year, giving substance to the anticipated capital needs ensuing from the Operational Plan (OP). As the OP has a multi-year horizon, we make forecasts of relevant risk indicators and compare these with the internal thresholds. We work out various scenarios, taking into account the anticipated effects of future regulations.
   - Update of forecasts in the monthly Capital Adequacy Assessment Report (CAAR). The CAAR includes a CAS based on the current risk profile versus the risk thresholds and a forward-looking assessment.
   - Regular stress tests to provide insight into the key vulnerabilities and to assess the resilience of the capital position to severe but plausible adverse (economic) conditions. The results are used to set the risk appetite thresholds.
3. Risk response to capital adequacy: every year, we determine the RAS for capital adequacy in conjunction with the bank's general risk appetite and strategic objectives. To monitor capital adequacy, we use specific risk indicators and determine the level above which we feel comfortable based on the risk appetite for capital adequacy.
4. Monitoring of capital adequacy: the Treasury Committee monitors early warning indicators defined in the RAS for capital adequacy on a regular basis. The Asset and Liability Committee (ALCO) monitors the annual and forecasted development of the RAS indicators in the CAAR on a monthly basis.
5. Residual risk: not all capital risks are identified or fully managed at all times, because of expected or unexpected balance sheet or regulatory developments. By following the capital adequacy lifecycle, we intend to identify these risks and formulate a risk response.
6. Reporting of capital adequacy indicators: we prepare regulatory and internal reports to measure, monitor and manage the bank's capital adequacy on an ongoing basis.

RECOVERY PLAN AND CONTINGENCY PLANNING

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

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

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

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

The recovery plan is updated and discussed with the ECB's Joint Supervisory Team (JST) every year. The recovery plan for 2022 included four scenarios, as requested by the ECB. These scenarios addressed system-wide macroeconomic and idiosyncratic stress. From this analysis the recoverability capacity of de Volksbank proved to be adequate.

4.8.3 Developments in capital requirements

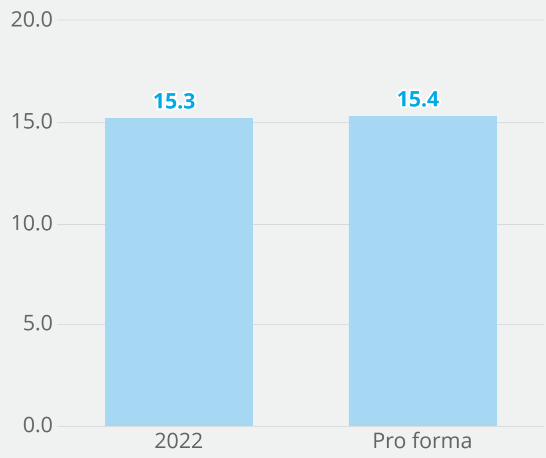
BASEL IV

In late 2017, the Basel Committee on Banking Supervision (BCBS) presented the agreement on the completion of the Basel III capital framework, also known as Basel IV. On 27 October 2021, the EC published a legislative proposal amending the Capital Requirements Regulation (CRR) and the CRD in order to implement the remaining elements of Basel IV in the EU. De Volksbank closely monitors the developments, paying particular attention to new rules for residential mortgages. For more information, see Section 1.1.2 Regulatory environment. We will adjust our capital planning if necessary.

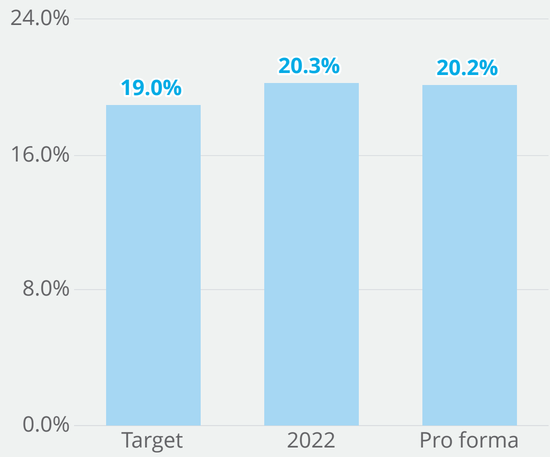
As at year-end 2022, we estimate that our total risk-weighted assets (RWA) according to the fully phased-in Basel IV standard is similar to total RWA under current regulations. Based on the capital position as at year-end 2022, we expect the anticipated changes in internal modelling approaches and the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

Basel IV impact after 72.5% floor

RWA in € billions



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



The Basel IV fully loaded CET1 capital ratio declined from 22.5% at year-end 2021 to 20.2%, mainly driven by an increase in RWA for exposures to financial institutions and corporates. This estimate of our CET1 capital ratio under full phase-in of Basel IV[13] exceeds our target of at least 19%, allowing us to both continue our growth path and pay out dividend.

MINIMUM FLOOR FOR RISK WEIGHTING OF MORTGAGE LOANS

In anticipation of the implementation of Basel IV, DNB announced in October 2019 that it would increase the minimum risk weighting for mortgage portfolios of Dutch banks, with the exception of mortgages with

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

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

COUNTERCYCLICAL CAPITAL BUFFER IN THE NETHERLANDS

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

PROVISION FOR NON-PERFORMING EXPOSURES

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

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

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

GONE-CONCERN CAPITAL: MREL

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

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

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

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

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

4.8.4 Figures, ratios and trends

Capital overview

Capital Overview Audited

in € millions	2022	2021
CRD IV common equity Tier 1 capital	3,101	3,182
Tier 1 capital	3,399	3,182
Tier 2 capital	500	500
Total capital	3,899	3,682
RWA		
Credit risk	12,890	9,521
Market risk	236	--
Operational risk	1,428	1,392
Credit Valuation Adjustment (CVA)	50	75
Additional risk exposure amount due to Article 3 CRR	702	3,005
Total RWA	**15,306**	**13,993**
Exposure measure as defined by the CRR	71,716	62,206
CAPITAL RATIOS		
Common equity Tier 1 ratio	20.3%	22.7%
Tier 1 capital ratio	22.2%	22.7%
Total capital ratio	25.5%	26.3%
Leverage ratio	4.7%	5.1%

De Volksbank's CET1 capital ratio decreased to 20.3%, from 22.7% at year-end 2021, primarily due to an increase in risk-weighted assets (RWA); see the Section on RWA below. The CET1 capital ratio remained well above our target of at least 19%.

Capital structure

In 2022, total equity rose by € 222 million to € 3,708 million. Available distributable items[14] amounted to € 3,158 million (2021: € 3,075 million). On the one hand, total equity declined as a result of the 2021 dividend payment in the amount of € 97 million and the decrease in the revaluation reserve of € 159 million. On the other hand, it rose mainly as a result of the € 191 million net profit for 2022 and the successful execution of € 298 million in green perpetual Additional Tier 1 (AT1) capital securities with a first reset date in 2027.

14 Equalling the sum of share premium, retained earnings and other reserves.

Capitalisation Audited

In € millions	2022	2021
Capital instruments	381	381
Share premium	3,537	3,537
Retained earnings	191	162
Accumulated other comprehensive income (OCI)	-129	30
Other reserves	-570	-624
AT1 capital securities	298	--
Total equity	**3,708**	**3,486**
Non-eligible interim profits	-153	-124
Additional Tier 1 capital	-298	--
Total equity for CRD IV purposes	**3,257**	**3,362**
Cashflow hedge reserve	-17	-19
Other prudential adjustments	-5	-3
Total prudential filters	**-22**	**-22**
Intangible assets	-6	-6
IRB shortfall[1]	-57	-74
Additional deductions of CET1 capital due to Article 3 CRR	-71	-78
Total capital deductions	**-134**	**-158**
Total regulatory adjustments to total equity	**-156**	**-180**
CRD IV CET 1 capital	**3,101**	**3,182**
Additional Tier 1 capital	298	--
Tier 1 capital	**3,399**	**3,182**
Eligible Tier 2	500	500
IRB Excess[1]	--	--
Tier 2 capital	**500**	**500**
Total capital	**3,899**	**3,682**

1 The IRB shortfall/excess is the difference between the expected loss under the CRR/CRD IV directives and the IFRS provision for the retail mortgage portfolio.

To determine total equity for CRD IV purposes, non-eligible interim profits are deducted from total equity. After profit appropriation by the General Meeting of Shareholders (GMS) in April 2022, € 27 million was added to CET1 capital from the non-eligible (interim) profits as at year-end 2021 of € 124 million, in addition to the deduction of € 97 million for the dividend payment.

The profit not yet eligible as CRD IV equity for 2022, namely € 153 million, concerns the dividend declaration on the net profit for the first half (€ 57 million) and the full net profit for the second half of 2022 (€ 96 million).

To calculate total equity for CRD IV purposes, the amount of AT1 capital securities of € 298 million was also deducted.

To determine CET1 capital, total equity for CRD IV purposes is subjected to several regulatory adjustments. These regulatory adjustments amounted to € 156 million negative at year-end 2022 (2021: € 180 million negative), consisting mainly of a deduction of € 57 million related to the IRB shortfall and a deduction of € 71 million due to the temporary and voluntary Article 3 CRR deduction.

The IRB shortfall of € 57 million mainly results from our Advanced Internal Ratings Based (AIRB) model calculations. De Volksbank avails itself of an AIRB model entitled Particuliere Hypotheken Interne Rating Model (PHIRM) to determine the credit risk in its residential mortgage portfolio. The model is continuously redeveloped to comply with new rules and regulations.

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

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

On balance, during 2022 CRD IV CET1 capital went down by € 81 million to € 3,101 million.

Tier 2 capital instruments Audited

	Maturity date	First possible call date	Nominal amount	
in € millions			**2022**	**2021**
Bond loan (subordinated)	22-10-2030	25-10-2025	**500**	500
Total			**500**	**500**

Risk-weighted assets (RWA)

Pillar 1 sets the minimum capital requirements based on the RWA for three types of risk: credit risk, market risk and operational risk.

In addition to using the AIRB model PHIRM to determine the credit risk in our residential mortgage portfolio, we use the Standardised Approach (SA) – rather than internal models – to calculate the credit risk of other portfolios (including non-residential mortgages and loans to governments, businesses and financial institutions), market risk and operational risk. For more information on credit risk, please refer to Section 4.3 Credit Risk, on market risk to Section 4.4 Market risk and operational risk to Section 4.5 Non-financial risks.

The table below shows the RWA per type of risk, exposure category and method of calculation.

Risk-weighted assets (RWA) and capital requirement Audited

	EAD		RWA		8% Pillar 1 capital requirement	
in € millions	2022	2021	2022	2021	2022	2021
CREDIT RISK IRB APPROACH						
Residential mortgages[1]	50,215	49,685	8,435	6,240	675	499
Total credit risk IRB approach	**50,215**	**49,685**	**8,435**	**6,240**	**675**	**499**
CREDIT RISK STANDARDISED APPROACH						
Central governments and central banks	10,865	14,325	122	--	10	--
Regional governments and local authorities	798	736	65	76	5	6
Public sector entities	1,042	988	33	33	3	3
Multilateral development banks	494	464	--	--	--	--
International organisations	202	71	--	--	--	--
Financial institutions	6,496	4,223	1,629	1,111	130	89
Corporates	1,948	1,493	1,592	1,266	127	101
Retail excl. mortgages	149	153	93	95	7	8
Immovable property secured by mortgages	965	673	517	350	41	28
Exposures in default	57	60	67	78	5	6
Covered bonds	556	217	56	22	4	2
Collective investments undertakings (CIU)	1	1	6	5	--	--
Shares	11	12	11	12	1	1
Other Items	312	242	251	215	20	17
Total credit risk standardised approach	**23,896**	**23,656**	**4,442**	**3,261**	**353**	**261**
Securitisation positions	70	107	13	20	1	2
Total credit risk	**74,181**	**73,448**	**12,890**	**9,521**	**1,029**	**762**
MARKET RISK STANDARDISED APPROACH						
- Specific risk	25	--	--	--	--	--
- General risk			236	--	19	--
OPERATIONAL RISK						
- Standardised approach	--	--	1,428	1,392	114	111
Total market- and operational risk	**25**	**--**	**1,664**	**1,392**	**133**	**111**
Credit Valuation Adjustment (CVA)	--	--	50	75	4	6
Additional risk exposure amounts due to Article 3 CRR	--	--	702	3,005	56	240
Total	**74,206**	**73,448**	**15,306**	**13,993**	**1,222**	**1,119**

1 To determine the RWA of residential mortgages a regulator-approved model is used.

Development RWA

in € millions	2022	2021
Opening amount	13,993	10,331
CREDIT RISK STANDARDISED APPROACH		
Development portfolio	1,181	965
Movements in credit risk CVA	-25	5
Total movement Credit risk standardised approach	**1,156**	**970**
Model updates	2,263	452
Methodology and policy	--	260
Development portfolio (including PD and LGD migrations)	-68	-369
Additional risk exposure amounts due to Article 3 CRR	-2,303	2,405
Total movement IRB approach	**-108**	**2,748**
Movement securitisation credit risk	-7	3
Market risk development	236	--
Operational risk	36	-59
Total movement	**1,313**	**3,662**
Closing amount	**15,306**	**13,993**

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

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

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

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

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

The RWA for operational risk, the Credit Valuation Adjustment and the revised securitisation framework increased by € 4 million to € 1.5 billion in total.

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

Exposure at Default

The Exposure at Default (EAD) from de Volksbank's total assets grew from € 73.4 billion at year-end 2021 to € 74.2 billion at the end of 2022. The EAD of the residential mortgage portfolio grew from € 49.7 billion to € 50.2 billion.

The EAD for market risk increased to € 25 million (2021: nil) as there was a trading position in debt instruments as at year-end 2022.

Breakdown of residential mortgages by rating grade

The table below shows the breakdown of our mortgage portfolio by Probability of Default (PD) class.

PD-Risk category residential mortgages 31 December 2022[1]

Internal rating grade	PD scaling	Average LGD	Obligor grade	EAD	RWA
1	0.00 to <0.15	22.52%	0.12%	19,870	1,311
2	0.15 to <0.25	0.00%	0.00%	--	--
3	0.25 to <0.35	24.62%	0.25%	24,241	2,998
4	0.35 to <0.50	0.00%	0.00%	--	--
5	0.50 to <0.75	37.71%	0.58%	1,531	530
6	0.75 to <1.25	34.22%	1.09%	272	131
7	1.25 to <1.50	28.36%	1.46%	2,140	1,034
8	1.50 to <1.75	0.00%	0.00%	--	--
9	1.75 to <3.50	25.00%	2.20%	122	67
10	3.50 to <10.0	24.17%	8.25%	1,119	1,132
11	10.0 to <15.0	27.57%	12.72%	332	481
12	15.0 to <25.0	28.27%	18.81%	45	75
13	25.0 to <100	27.90%	42.43%	81	122
Default	**100.00**	18.54%	100.00%	462	554
Total				**50,215**	**8,435**

1 Based on the CRR IRB model

PD-Risk category residential mortgages 31 December 2021[1]

Internal rating grade	PD scaling	Average LGD	Obligor grade	EAD	RWA
1	0.00 to <0.15	16.95%	0.11%	18,172	816
2	0.15 to <0.25	18.37%	0.22%	24,725	2,069
3	0.25 to <0.35				
4	0.35 to <0.50	16.88%	0.51%	207	29
5	0.50 to <0.75	23.49%	0.51%	1,371	270
6	0.75 to <1.25	23.21%	0.96%	278	83
7	1.25 to <1.50	26.06%	1.40%	2,684	1,157
8	1.50 to <1.75				
9	1.75 to <3.50	18.98%	2.94%	353	173
10	3.50 to <10.0	18.92%	6.94%	950	733
11	10.0 to <15.0	20.49%	11.20%	286	294
12	15.0 to <25.0	21.51%	20.52%	87	111
13	25.0 to <100	22.39%	55.31%	33	36
Default	**100.00**	24.28%	100.00%	539	469
Total				**49,685**	**6,240**

1 Based on the CRR IRB model

Leverage ratio

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

To manage the risk of excessive leverage, leverage ratio control is part of our continuous capital planning process as explained in Section 4.8.2 Management and control. Secured funding affecting the leverage ratio denominator is only attracted when consistent with our liquidity management and funding strategy. For more information, please refer to Section 4.6 Liquidity risk management and funding strategy.

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

The leverage ratio declined to 4.7%, from 5.1% at year-end 2021, as the € 9.5 billion leverage ratio denominator growth had a bigger impact than the € 217 million increase in Tier 1 capital. The denominator is the risk exposure amount as defined by the CRR. From September 2020 to 1 April 2022, the ECB allowed banks to exclude certain central bank exposures from the denominators of their leverage ratios as a temporary relief measure. The expiry of this measure explains the strong growth in the leverage ratio denominator in the first half of 2022.

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

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

Leverage ratio

in € millions	2022	2021
Tier 1 capital	**3,399**	**3,182**
EXPOSURE VALUES		
Derivatives: market value	79	36
Derivatives: add-on mark-to-market method	513	312
Off-balance: undrawn credit facilities	39	40
Off-balance: medium/low risk	1,076	1,251
Off-balance: other	395	462
Other assets	69,854	70,992
Receivables for cash variation margin provided in derivatives transactions	-85	--
Exposures exempted in accordance with Article 429 (14) of the CRR	0	-10,706
Regulatory adjustments (Tier 1)	-155	-180
Exposure measure as defined by the CRR	**71,716**	**62,206**
Leverage ratio	4.7%	5.1%

MREL

The table below presents the risk-weighted and non-risk-weighted MREL ratios of de Volksbank.

Total capital and eligible liabilities rose by € 0.3 billion to € 6.3 billion. Besides the issuance of € 0.3 billion in AT1 capital, this is also the result of de Volksbank successfully issuing € 0.5 billion in green senior non-preferred (SNP) debt with a 5-year (non-call 4-year) maturity and € 0.2 billion in green senior preferred debt with a 2-year maturity. This increase was partly offset by senior unsecured debt in the amount of € 593 million becoming non-eligible.

Total LRE rose by € 9.5 billion to € 71.7 billion in 2022, primarily due to the expiry of the temporary ECB relief measure to allow banks to exclude certain central bank exposures from their leverage ratio denominators.

At year-end 2022, the non-risk-weighted MREL ratio based on the LRE was equal to 8.8% (2021: 9.6%), including total capital and all other unsecured liabilities eligible for MREL under the current Bank Recovery and Resolution Directive (BRRD). Including only total capital and eligible SNP liabilities, the non-risk-weighted MREL ratio based on the leverage ratio exposure equalled 7.5%.

The risk-weighted MREL ratio, based on total capital and eligible SNP liabilities, € 5,399 million in total, stood at 35.3% (year-end 2021: 33.5%).

MREL

in € millions	2022	2021
CET1 capital	3,101	3,182
Additional Tier 1 capital	298	
Tier 2 capital	500	500
Total capital	**3,899**	**3,682**
Senior non-preferred (SNP) liabilities with remaining maturity >1 year	1,500	1,000
Eligible senior preferred liabilities with remaining maturity > 1 year	919	1,312
Total capital including other eligible liabilities	**6,318**	**5,994**
MREL BRRD2 EXPOSURE MEASURES		
Leverage ratio exposure measure (LRE)	71,716	62,206
Risk-weighted assets	15,306	13,993
MREL LRE		
MREL (Total capital and eligible SNP liabilities) (LRE)	7.5%	7.5%
MREL (Total capital including other eligible liabilities) (LRE)	8.8%	9.6%
MREL RWA		
MREL (Total capital and eligible SNP liabilities) (RWA)	35.3%	33.5%
MREL (Total capital including other eligible liabilities)	41.3%	42.8%

4.8.5 Dividend

De Volksbank has set a target range of 40% - 60% of net profit for the regular dividend distribution. In line with this policy, de Volksbank decided in its General Meeting of Shareholders (GMS) in April 2022 to distribute a dividend of € 97 million for 2021, corresponding to a pay-out ratio of 60%.

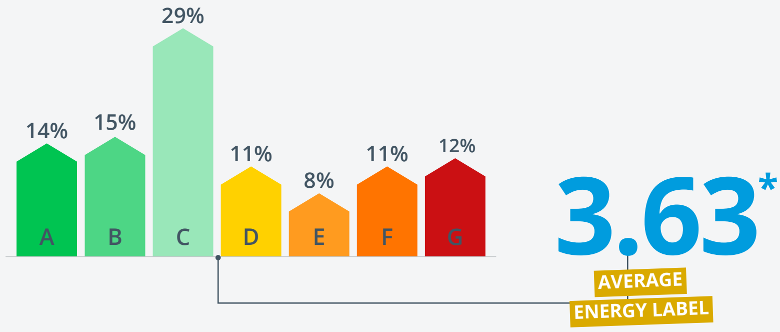
Driven by de Volksbank's annual profit and considering current economic and geopolitical uncertainty, we propose to pay out 50% of the bank's net profit[15] for the financial year 2022, which corresponds to a dividend amount of € 90 million.

15 Excluding AT1 coupon payments.

4.9 Sustainability risk

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

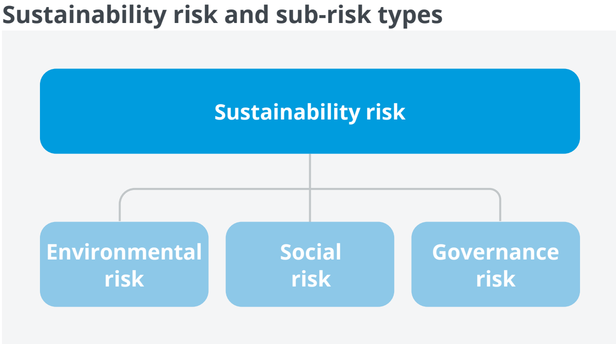
Average energy label residential mortgage portfolio



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

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

Sustainability risk and sub-risk types



As shown in the diagram above, we divide sustainability risk into three sub-risk types and define them as follows.

Environmental risk

Environmental risk is defined as the risk of (in)direct financial or reputational damage to the bank due to acute or chronic physical environmental risk drivers, or the role in the transition to an environmentally sustainable economy of the bank itself or of third parties. Environmental risk encompasses both climate risk and other environmental risks such as biodiversity loss and water scarcity. Environmental risk includes both physical risk and transition risk:

- Physical risks may arise from more frequent and severe environmental events. These events can be acute, such as floods, or chronic, such as a sea level rise;
- Transition risks may arise from the process of adapting to a more environmentally sustainable economy, for example climate-related policy changes, technological changes or investor and consumer sentiment towards a greener environment. For example, when our emissions are relatively high, we might face higher transition risks due to climate-related policy changes.

The occurrence of physical and transition risks is often inversely related. As a response to the potential impact of physical risks rapid, stringent and far-reaching governmental policy can be introduced, which can lead to increased transition risks. Alternatively, physical risks might increase over time if governmental policies are lacking.

Social risk

Social risk is the risk of (in)direct financial or reputational damage to the bank due to violations of human rights, employee rights, poverty and customer relationships committed by the bank itself or by third parties.

Governance risk

Governance risk is the risk of (in)direct financial or reputational damage to the bank due to inadequate corporate governance, ethical management and transparency by the bank itself or by third parties.

Sustainability risk management refers to management of (outside-in) impacts of ESG risk drivers on the risk profile of de Volksbank. The activities of de Volksbank also lead to (inside-out) impacts on the environment and society. For more information on how de Volksbank manages inside-out impacts, see both the Annual Review 2022 and Section 2. Sustainability Statements of this Integrated Annual Report.

4.9.1 Risk profile

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

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

Banking book[1] - Indicators of potential climate change transition risk

	Gross carrying amount		GHG financed emissions[2]	
In € millions	**2022**	**2021**	**2022**	**2021**
Exposures towards sectors that highly contribute to climate change[3]	**1,318**	**1,130**	**83,344**	**72,359**
A - Agriculture, forestry and fishing	0	0	52	2
B - Mining and quarrying	--	--	--	--
C - Manufacturing	96	64	18,282	10,487
D - Electricity, gas, steam and air conditioning supply	656	575	8,135	6,741
E - Water supply; sewerage, waste management and remediation activities	0	0	0	0
F - Construction	88	81	29,868	24,316
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	97	60	8,370	3,270
H - Transportation and storage	61	96	15,525	21,729
I - Accommodation and food service activities	4	3	207	182
L - Real estate activities	315	251	2,903	5,631
Exposures towards sectors other than those that highly contribute to climate change[3]	**659**	**561**		
K - Financial and insurance activities	278	199		
Exposures to other sectors (NACE codes J, M - U)	381	362		
Total[3]	**1,977**	**1,691**	**83,344**	**72,359**

1 This includes loans and advances and debt securities to non-financial corporations.

2 Scope 1, scope 2 and scope 3 emissions of the counterparty (in tons of CO2 equivalent).

3 In accordance with the Commission Delegated Regulation EU) 2020/1818 supplementing Regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006.

The table above displays the loans and advances and debt securities to non-financial corporates by sector. De Volksbank has exposures in sectors that highly contribute to climate change, most of which in the electricity, gas and steam sector. As our project finance portfolio solely consists of renewable energy companies within that sector and does not include any clients in the (fossil) gas sector, we assess our exposure to transition risk in sectors that highly contribute to climate change to be low.

4.9.2 Management and control

Within the Executive Committee, the Chief Risk Officer (CRO) is responsible for sustainability risk. For each risk type, a dedicated risk committee, such as the Credit Committee, is responsible for the management of that risk, including the impact of ESG risk drivers on that risk. In addition to this, we have set up a multidisciplinary risk committee, the Social Impact Committee (SIC), to promote a better understanding of, and an increased focus on, our social impact and sustainability risk control. This committee monitors the coherence between inside-out and outside-in impact, the proper integration of sustainability risks in the overall business strategy, governance and risk management and reporting framework. The CRO is the Chair of this risk committee. The impact of ESG events on macroeconomic variables is considered in the periodic update of the macroeconomic scenarios, as this process includes an assessment of impacts following ESG events.

As sustainability risk is classified as a stand-alone risk type and is, therefore, managed within our risk appetite, a risk management policy and a Risk Appetite Statement (RAS) for sustainability risk are in place. This RAS encompasses metrics with thresholds to monitor transition risks and, as from 2022, also physical risks. The transition risk metrics and thresholds are aligned with the long-term targets to have a climate neutral balance sheet and to have a (net) positive impact on biodiversity in 2030. As far as social risk is concerned, we monitor gender diversity in the leadership functions within our organisation. The monitoring of sustainability risk is integrated in the quarterly risk report, which informs the management body about the exposures to all risks.

An important mitigant to our exposure to sustainability risk are our strict sustainability policies. The Sustainability Expertise Centre (SEC) is responsible for management of our sustainability policies, including investment criteria for ASN Impact Investors and the Sustainable Project Finance portfolio. For more information on these policies, see Section 2. Sustainability Statements of this Integrated Annual Report.

4.9.3 Areas of focus and activities

Overview results ESG risk assessment[1]

	PHYSICAL RISK		TRANSITION RISK	
ESG risk driver	**Acute physical events, such as floods**	**Chronic physical changes, such as rising sea levels**	**Changing regulation regarding ESG issues**	**Changing social sentiment regarding ESG issues**
Impacted Risk types	Credit, Business, Operational & Reputational risk	Credit & Business risk	Credit, Business & Compliance risk	Compliance & Reputational risk
Time horizon	Short, Medium & Long term	Long term	Short, Medium & Long term	Short, Medium & Long term
Transmission channels	Lower real estate value, lower profitability, lower household wealth, increased legal costs	Lower real estate value, lower profitability, lower household wealth	Lower real estate value, lower profitability, lower household wealth, increased costs of compliance	Increased cost of compliance, increased legal costs
Description Impact	Acute physical events can have many disrupting effects: widespread damage to property of our clients can lead to high renovation costs and consequently increased Credit and Business risks. Additionally, operational processes can be disrupted, and an inadequate response of the bank to acute physical events can have reputational impact and can even lead to increased legal costs.	The chronic impact of climate change, which includes rising sea levels, can cause certain regions of the Netherlands to become unattractive to live or even uninhabitable. This impacts the value of retail collateral. Chronic impact can also lead to damage to property and can lead to high renovation costs and consequently increased Credit and Business risk.	Policy changes stimulating the transition towards a sustainable economy can pose risks for de Volksbank. Our mortgage clients might be faced with financial distress due to high adaptation costs, that can consequently lead to increased Credit and Business risk. Furthermore, complex ESG regulations directly applicable to our own organisation can lead to increased Business and Compliance risk.	Increasingly higher expectations regarding ESG performance can become a challenge for de Volksbank to transform in a timely manner. Not meeting these expectations or not behaving according to (un)written rules can negatively impact our reputation and can even lead to increased legal costs. This can create difficulties in attracting clients and investors. If employees of de Volksbank and/or business partners and/or counterparties do not or insufficiently behave according to written and/or unwritten rules of corporate governance and ethical management, financial or reputational impacts may follow.

1 The table illustrates ESG risk drivers, the impacted risk types, transmission channels and potential impacts on de Volksbank in short, medium and long term.

ESG RISK ASSESSMENT

In 2021, de Volksbank conducted an ESG Risk Assessment for the first time. This thematic assessment focussed on the impact of ESG risk. ESG risk drivers, including climate-related and environmental risk, are risk drivers that may impact the exposures in the risk types of the risk taxonomy. All of our portfolio and business activities were in scope of this enterprise-level assessment.

In the assessment, the impact of ESG risk drivers, such as flooding, transitions in the housing market and regulatory changes, on the other risk types of the risk taxonomy was assessed in the short (≤1 year), medium (1-5 years) and long term (≥5 years).

The ESG risk assessment resulted in the analysis as shown on the previous page.

In 2022, the results of the ESG risk assessment were reviewed. Based on expert judgement, we assessed the impact of Sustainability risk as a material important risk driver for the risk types Credit risk, Business risk, Operational risk, Reputational risk and Compliance risk. This assessment was mainly qualitative and based on our business model with a focus on residential mortgages in the Netherlands, internal and external studies and upcoming regulations. Due to the relatively small size of the trading portfolio and sustainability strategy of de Volksbank, climate events are not regarded as a primary factor in market risk. De Volksbankused the assessment results to formulate specific actions to assess the impact of the identified ESG risk drivers. The ECB economy wide climate stress test of 2021 reveals a high flood risk in Northern Europe. In order to analyse how this risk might impact de Volksbank, we assessed the impact of flooding on our mortgage portfolio. We assessed the impact of drought, another relevant climate risk, as well. For this assessment, we combined external data on floods and drought probabilities and estimations of renovation costs with our internal portfolio data, such as location of the collateral. However, relevant data is not always available or up to date and quantification methodologies are still under development.

All in all, we do not have information that sustainability risk would have a material financial impact on the financial results of 2022. As ESG risk drivers continuously evolve, de Volksbank will conduct an enterprise-level ESG Risk Assessment on an annual basis. The next assessment planned for the first quarter of 2023 will further quantify impacts of ESG risk drivers and is expected to provide more precise insights into both our exposure and our response to sustainability risks in the short, medium and long term.

As described in our risk profile, de Volksbank's exposure to sustainability risk primarily follows from our focus on residential mortgages in the Netherlands. Based on the chance and impact of each ESG risk driver on the shortlist, we make a prioritisation of these risk drivers. While some ESG risk drivers are less relevant to our business model, others are assessed as material. Although the deterioration of biodiversity and regulations related to nitrogen emissions are expected to have a material impact on the agriculture industry, this will have less impact on the house prices in the Netherlands. Other ESG risk drivers, such as the increasing vulnerability of Northern Europe to flooding, have been assessed as being material for de Volksbank. The ESG Risk Assessment is also a key element in our follow-up to supervisory expectations in relation to sustainability risk as stated in the ECB Guide on Climate-related and Environmental Risk and in specific feedback provided by supervisory authorities. In addition to this, the results are also relevant for Pillar 3 disclosures.

MITIGATING RISK CONTROLS

If risks stemming from ESG events are assessed as material, we will evaluate current risk control mechanisms and may formulate additional risk responses.

De Volksbank has strict sustainability criteria in place to make a positive contribution to society. These sustainability criteria also function as an important mitigant to our exposure to ESG risk drivers. For example, de Volksbank has zero exposure in the fossil fuel sector, an industry particularly vulnerable to changing policies and market sentiments. Similarly, our social and diversity policies for our investments and our own operations prevent the likelihood of reputational risks related to social issues. We continuously assess if investments still meet our sustainability criteria. Infringement of these criteria will lead to the termination of specific loans or investments in our investment universe or portfolio. As insights on ESG issues and regulations related to ESG are always evolving, our policies are reviewed and updated periodically.

An important transition risk in our mortgage portfolio is the risk that our customers are confronted with higher energy costs and decreasing collateral value as home energy-efficiency standards are raised. De Volksbank mitigates this risk by actively facilitating our customers in their efforts to make their homes more sustainable through promotion, awareness and various financial products.

With regard to physical risks, we monitor our exposure to material physical risks on a portfolio level. Several risks, such as risks related to the foundation of houses, are taken into account and acted upon in the customer acceptance process. De Volksbank is currently developing a more comprehensive risk response to physical risks in our mortgage portfolio.

In 2022, de Volksbank made substantial progress in incorporating sustainability risk into its Internal Capital Adequacy Assessment Process framework. We have taken steps to further quantify sustainability risks and set appropriate risk appetite thresholds, thus ensuring that de Volksbank has adequately allocated capital should sustainability risks materialise.

STRESS TESTING AND SCENARIO ANALYSIS

In previously conducted stress tests, de Volksbank examined the Network for Greening the Financial

System (NGFS) hot house world scenarios. The financial consequences of these scenarios for de Volksbank were investigated by means of impact and scenario analyses. The impact analyses mainly related to physical climate risks such as flooding and extreme drought for the mortgage portfolio. The scenario analyses mainly focused on the macroeconomic consequences of physical climate risks for the entire balance sheet of de Volksbank.

To identify the risks and financial impact related to transition risks, the mid-year stress test in 2022 focussed on the disorderly NGFS scenarios. This stress test consisted of two scenario analyses and examined the impact of certain imposed climate transition policies on the asset side of the bank's balance sheet composition (residential mortgages, SME loans, ASN Bank sustainable loans and climate bonds) and consequently on the bank's financial position. The first scenario of this stress test was based on the NGFS delayed transition scenario. The NGFS delayed transition scenario assumes that the annual emissions do not decrease until 2030. Consequently, strong climate policies are necessary to limit global warming to below 2°C. The second scenario was based on the NGFS divergent net zero scenario, which reaches net zero around 2050 though with higher costs due to divergent policies introduced across sectors leading to a quicker phase-out of oil use.

In 2021, de Volksbank developed a tool to determine the impact of the NGFS climate policies on its balance sheet. The tool uses multiple internal and external variables including internal climate targets per portfolio, return targets and emissions data. This tool has made it possible to make a rough estimate of the required balance sheet development per transitional climate scenario in the 2022 mid-year stress test. It can be concluded from this stress test that the planned capitalisation is adequate to absorb the solvency impact of both transitional climate scenarios.

ECB 2022 CLIMATE STRESS TEST

From January until June, de Volksbank participated in the 2022 climate risk stress test exercise coordinated by the ECB in which 104 financial institutions participated. The ECB considers this stress test a learning exercise. Its aims are to identify vulnerabilities and challenges that banks are facing, as well as industry best practices. We were only requested to submit a qualitative questionnaire, climate risk metrics and the realisation data over the year 2021. As far as the credit risk portfolios were concerned, we did not have to submit any granular projections for the various climate scenarios.

Our overall scores on the thematic review and the climate risk stress test were positive compared to the average peer group's score. These scores give us more insight into the progress we made with integrating sustainability risk into the business strategy, government and risk management framework. However, we are aware that further action is needed to fully understand the impact of sustainability risk to make informed business decisions. De Volksbank is committed to further integrating sustainability risk into the risk management framework and the materiality assessment.

4.10 Management statement

IN-CONTROL STATEMENT

The Executive Board (ExBo) of de Volksbank N.V. is responsible for the set-up, presence and operation of the (risk) management and control system. This system is designed to manage risks, to support de Volksbank in achieving its strategic, operational and financial objectives, and to ensure that reporting on financial and non-financial performance indicators is reliable and that laws and regulations are complied with.

De Volksbank applies the 'three lines of defence' model with a clear organisational structure and accompanying accountability structure, as laid down in governance and risk committees (see also Section 4.1 Risk management structure).

De Volksbank's risk management is also further refined in the annual Operational Plan (OP) cycle, which translates strategic objectives and risk appetite into key risk indicators and operational objectives for the years ahead. The main risks associated with the OP implementation are identified. This cycle is carried out in all parts of the organisation. The business units report on their performance and on any risks that need to be adjusted. The effectiveness of the key control measures and controls is regularly examined and tested. De Volksbank has a structured process of completing internal In-Control Statements at department level, which are then weighted, tested and aggregated at board level for de Volksbank as a whole.

In 2022, the ExBo assessed the strategic, operational, financial, reporting and compliance risks, as included in Section 4.1.2 Top risks. In addition, the ExBo periodically tested the effectiveness of the design and operation of the risk management and control system, as included in Section 4.1 Risk management structure. The ExBo managed a portfolio of projects that improved the effectiveness of the risk management and control system. The results were shared with the Audit Committee and the Supervisory Board, and discussed with the external auditor.

Based on the aforementioned, the ExBo declares that:
- The risk management and control system functioned properly in 2022;
- The risk management and control system provides a reasonable degree of certainty that the material risks to which de Volksbank is exposed are actually identified and that these risks are adequately monitored and controlled; and
- There are no known indications to assume that the internal risk management system will not continue to function properly in 2023.

It should be noted, however, that the above does not imply that the internal risk management system provides absolute assurance that it can prevent, or has prevented, all inaccuracies, errors, fraud and non-compliance with laws and regulations at all times.

RELEVANT DEVELOPMENTS

Twice a year, de Volksbank executes a 'bottom-up' internal review of all identified exceptions to a proper functioning of the internal control system. These exceptions are ultimately reviewed by the Executive Committee for their overall impact and required actions. For 2022, this review did not result in any new topics and the recognised topics are clearly addressed in the organisation through action plans and monitoring of status and progress. The main topics are:
- IT within Risk Appetite
- Customer Integrity and GDPR
- Risk awareness and culture
- Data management and models

These topics are further explained in the relevant Sections of this report.

CONTROL OVER FINANCIAL REPORTING

The management and control systems for financial reporting form an integral part of the risk management and control systems of de Volksbank. The most important principal bodies and elements to manage de Volksbank's financial reporting are the:
- Leadership team of Finance, which sets the framework for the policies and organisation of financial accounting systems and processes;
- Accounting Manual of de Volksbank, which describes the principles for financial reporting;
- Departments are responsible for the correct and complete administration of the products, execution of maintenance activities and recording of transaction data, resulting in accurate and truthful reports;
- System of financial key controls within the administrative and reporting departments, which monitor the proper functioning of the management and control system for financial reporting purposes;
- Assessments, which are partially based on the results of the key controls, of periodic management reports and KPI dashboards with an analysis of financial and non-financial figures by the Leadership team of Finance;
- ExBo, which approves the findings of the reporting process and the financial reporting itself, which are subsequently discussed in the Audit Committee;
- Internal Audit department, which examines the system's operation;
- External auditor who reports on the system of financial key controls insofar as this results from his activities for the audit of the financial statements. The key issues of this audit are included in the Independent auditor's report. The findings are discussed with de Volksbank's financial and risk committees, the Audit Committee and the Supervisory Board.

We declare with a reasonable degree of certainty that the internal management and control systems for financial reporting functioned at an adequate level in 2022 and that de Volksbank's financial reporting does not contain any material inaccuracies.

DECLARATION STATING THAT THE FINANCIAL STATEMENTS GIVE A TRUE AND FAIR VIEW

The members of the ExBo declare that:

- the consolidated and company financial statements 2022 of de Volksbank have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and give, to the best of our knowledge, a true and fair view of the assets, liabilities, the size and composition of the equity, the financial position as at 31 December 2022, the result and cash flows, and companies included in the consolidation;
- the 2022 Integrated Annual Report, to the best of our knowledge, gives a true and fair view of the situation as at the balance sheet date and the course of events during the financial year; and
- the 2022 Integrated Annual Report describes the main risks that de Volksbank is facing.

Utrecht, 9 March 2023

EXECUTIVE BOARD

Martijn Gribnau (Chair)
Jeroen Dijst
André Haag
Marinka van der Meer

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Consolidated financial statements

Consolidated statement of financial position

Before result appropriation and in € millions	Notes[1]	31-12-2022	31-12-2021
ASSETS			
Cash and cash equivalents	2	8,011	10,305
Derivatives	3	3,302	591
Investments	5	5,591	5,638
Loans and advances to banks	6	6,884	4,527
Loans and advances to customers	7	48,966	50,570
Tangible and intangible assets	8,18	85	93
Tax assets	9	67	39
Other assets	10	249	318
Total assets		**73,155**	**72,081**
LIABILITIES			
Derivatives	3	924	1,013
Amounts due to banks	11	2,805	1,059
Savings	12	44,501	45,681
Other amounts due to customers	13	12,649	12,447
Debt certificates	14	7,544	7,402
Subordinated debts	15	500	500
Provisions	16	66	102
Tax liabilities	9	6	9
Other liabilities	17,18	452	382
Total liabilities		**69,447**	**68,595**
EQUITY			
Share capital	19	381	381
Reserves	19	2,838	2,943
Net result for the period	19	191	162
AT1 capital securities	19	298	-
Total equity		**3,708**	**3,486**
Total equity and liabilities		**73,155**	**72,081**

1 The references next to the items relate to the notes to the consolidated financial statements.

Consolidated income statement

in € millions	Notes[1]	2022	2021
INCOME			
Interest income	26	1,128	1,043
Interest expense	26	277	268
Net interest income		**851**	**775**
Fee and commission income	27	154	137
Fee and commission expenses	27	103	98
Net fee and commission income		**51**	**39**
Investment income	28	-8	3
Other result on financial instruments	29	70	10
Other operating income	30	1	-
Total income		**965**	**827**
EXPENSES			
Staff costs	31	383	414
Depreciation and amortisation of tangible and intangible assets	8	22	20
Other operating expenses	32	250	233
Total operating expenses		**655**	**667**
Impairment charges of financial assets	33	52	-58
Total expenses		**707**	**609**
Result before taxation		**258**	**218**
Taxation	34	67	56
Net result for the period		**191**	**162**
ATTRIBUTABLE TO:			
Owners of the parent company		191	162

1 The references next to the items relate to the notes to the consolidated financial statements.

Consolidated comprehensive income

Other comprehensive income

in € millions	2022	2021
ITEMS THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS		
Change in other reserves	-	-1
Total items never reclassified to profit or loss	-	**-1**
ITEMS THAT ARE RECLASSIFIED TO PROFIT OR LOSS		
Change in cashflow hedge reserve	-2	-3
Change in fair value reserve	-157	-18
Total items that are reclassified to profit or loss	**-159**	**-21**
Other comprehensive income (after tax)	**-159**	**-22**

Total comprehensive income

in € millions	2022	2021
Net result	191	162
Other comprehensive income (after tax)	-159	-22
Total comprehensive income for the period	**32**	**140**
ATTRIBUTABLE TO:		
Owners of the parent company	32	140

Consolidated statement of changes in equity

Consolidated statement of changes in equity 2022

in € millions	Issued share capital	Share premium reserve	Cashflow hedge reserve	Fair value reserve	Other reserves including retained earnings	Net result for the period	AT1 capital securities	Total equity
Balance as at 1 January 2022	**381**	**3,537**	**19**	**11**	**-624**	**162**		**3,486**
Transfer of net result					**65**	**-65**		-
Unrealised revaluations				-167				-167
Realised revaluations through P&L			-2	10				8
Other comprehensive income			**-2**	**-157**				**-159**
Net result						191		191
Total result 2022			**-2**	**-157**		**191**		**32**
Increase in capital							298	298
Paid interest on AT1 capital securities					-11			-11
Dividend						-97		-97
Transactions with owners of the company					**-11**	**-97**	**298**	**190**
Total changes in equity			**-2**	**-157**	**54**	**29**	**298**	**222**
Balance as at 31 December 2022	**381**	**3,537**	**17**	**-146**	**-570**	**191**	**298**	**3,708**

Consolidated statement of changes in equity 2021

in € millions	Issued share capital	Share premium reserve	Cashflow hedge reserve	Fair value reserve	Other reserves including retained earnings	Net result for the period	AT1 capital securities	Total equity
Balance as at 1 January 2021	**381**	**3,537**	**22**	**29**	**-693**	**174**		**3,450**
Transfer of net result					**70**	**-70**		-
Unrealised revaluations				-16				-16
Realised revaluations through P&L			-3	-2				-5
Other movements					-1			**-1**
Other comprehensive income			**-3**	**-18**	**-1**			**-22**
Net result						162		162
Total result 2021			**-3**	**-18**	**-1**	**162**		**140**
Dividend						-104		-104
Transactions with owners of the company						**-104**		**-104**
Total changes in equity			**-3**	**-18**	**69**	**-12**		**36**
Balance as at 31 December 2021	**381**	**3,537**	**19**	**11**	**-624**	**162**		**3,486**

Consolidated cashflow statement

in € millions	Notes[1]	2022	2021
CASHFLOW FROM OPERATING ACTIVITIES			
Result before taxation		258	218
ADJUSTMENTS FOR			
Depreciation and amortisation of tangible, intangible assets and right-of-use assets	8,16	21	23
Changes in other provisions and deferred tax	9,17	-89	27
Impairment charges and reversals	33	52	-58
Unrealised results on investments through profit or loss	27	-68	201
Tax paid		-44	-53
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Change in advances to customers	7	1,761	-185
Change in liabilities to customers	12	167	941
Change in derivatives assets	3	-2,711	273
Change in derivatives liabilities	3	-89	-1,150
Change in advances to banks	6	-2,357	1,463
Change in liabilities to banks	13	1,746	114
Change in savings	11	-1,145	3,535
Change in trading portfolio	5	-1	-
Change in other operating activities		480	-41
Net cashflow from operating activities		**-2,019**	**5,308**
CASHFLOW FROM INVESTMENT ACTIVITIES			
Sale of property and equipment and intangible assets	8	3	4
Sale and redemption of investments	5	1,594	1,082
Purchase of intangible assets	8	-	-6
Purchase of property and equipment	8	-13	-10
Purchase of investments	5	-2,195	-1,750
Net cashflow from investment activities		**-611**	**-680**
CASHFLOW FROM FINANCE ACTIVITIES			
Proceeds from subordinated loans	18	-	-
Proceeds from debt certificates	14	1,200	1,992
Proceeds from AT1 capital securities		298	-
Repayment of subordinated loans	18	-	-
Repayment of debt certificates	14	-1,039	-703
Payment of lease liabilities	16	-15	-15
Interest paid on AT1 capital securities		-11	-
Dividends paid		-97	-269
Net cashflow from financing activities		**336**	**1,005**
Net increase of cash and cash equivalents		**-2,294**	**5,633**
Cash and cash equivalents at beginning of period	2	10,305	4,672
Change in cash and cash equivalents	2	-2,294	5,633
Cash and cash equivalents at end of period		**8,011**	**10,305**
ADDITIONAL DISCLOSURE WITH REGARD TO CASHFLOWS FROM OPERATING ACTIVITIES			
Interest received		1,221	1,308
Dividends received		-	-
Interest paid		317	194

1 The references next to the items relate to the notes to the consolidated financial statements.

Notes to the consolidated financial statements

Accounting principles for the consolidated financial statements

This section describes de Volksbank's significant accounting policies and critical accounting estimates or judgements relating to the consolidated annual financial statements. If an accounting policy or a critical accounting estimate relates to a specific note, it is included in the disclosures of the relevant note.

To combine disclosures where possible and to reduce duplication, the IAS 1 capital management disclosures and IFRS 7 risk disclosures regarding financial instruments have been integrated in Section 4 Risk management for those marked with the label 'Audited'. These disclosures are an integral part of the consolidated annual financial statements and as such, support the compliance to these IFRS requirements.

General information

De Volksbank N.V. (referred to as 'de Volksbank'), is a public limited liability company incorporated under the laws of the Netherlands. De Volksbank is a retail bank with sustainable business operations that provides services to private individuals, self-employed persons and small businesses in The Netherlands. In addition, de Volksbank finances activities related to the sustainable energy sector such as wind and solar energy production. De Volksbank's registered office is located at Croeselaan 1, 3521 BJ Utrecht, The Netherlands (CoC 16062338 of Utrecht). All shares in de Volksbank are held by *Stichting administratiekantoor beheer financiële instellingen (NLFI)*.

Adoption of the financial statements

The consolidated financial statements of de Volksbank for the year ended 31 December 2022 were drawn up by the Executive Board and authorised for publication following approval by the Supervisory Board on 9 March 2023. The financial statements will be submitted for adoption to the General Meeting of Shareholders which will be held on 13 April 2023. The General Meeting of Shareholders is permitted to amend the financial statements.

Basis of preparation

Statement of IFRS compliance

De Volksbank prepares the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted within the European Union. Pursuant to the option offered under Book 2, Title 9 of the Dutch Civil Code, de Volksbank prepares its company financial statements in accordance with the same accounting principles as those used for the consolidated financial statements. The presentation and notes in the company financial statements are based on Title 9, Book 2 of the Dutch Civil Code.

De Volksbank's annual financial statements have been prepared on going-concern basis and there are no significant doubts about the ability of de Volksbank to continue as a going concern.

Changes in published Standards and Interpretations effective in 2022

In 2022, the following standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) respectively, became mandatory, and were adopted by the European Union:
- Amendments to IFRS 3 Business Combinations;
- Amendments to IAS 16 Property, Plant and Equipment;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- Annual Improvements 2018-2020.

None of the above publications have an impact on the financial statements.

Interpretations of existing standards or amendments to standards, not yet effective in 2022

The following new standards, amendments to existing standards and interpretations, published prior to 1 January and effective for accounting periods beginning on or after 1 January 2023 were not early adopted by de Volksbank.
- IFRS 17 Insurance Contracts;
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies;
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates;
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction; and

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback.

These changes are not expected to have a material impact on the financial statements.

AMENDMENTS TO IAS 12 INCOME TAXES: DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

The amendments to IAS 12 are expected to have a limited impact on de Volksbank's balance sheet, which will be extended slightly.

The presentation of the consolidated balance sheet and certain notes have been changed to provide additional and more relevant information or (for changes in comparative information) to better align them with the current period presentation. The impact of these changes is explained in the relevant notes when significant.

Changes in accounting policies, estimates and presentation

Accounting policy change

In 2022 no changes in accounting policies were made.

Change in accounting estimates

Timing of cash flows used in accounting for prepayment penalties related to interest averaging contracts

De Volksbank has refined the timing of cash flows used in accounting for prepayment penalties related to interest averaging contracts. The timing of these cash flows cannot be fully derived from the contractual terms and conditions, because some of our mortgage customers will repay their mortgage before the contractual end date of the mortgage due to moving home, etc. To take into account these behavioural aspects of customers de Volksbank uses a prepayment model. The refinement of expected cashflows, together with some minor model improvements, resulted in additional income amounting to € 20 million. The recalibration contributes to a consistent accounting of prepayment penalties related to interest rate averaging contracts going forward and leads to more relevant information.

Updated IFRS 9 ECL model for residential mortgages

We made a change in estimate in 2022 when determining the provisions for residential mortgages. The most important change was the implementation of the update IFRS 9 Expected Credit Loss (ECL) model for residential mortgages, which contains model refinements i.a. with regard to interest-only mortgages. This had an increasing impact of € 29 million on the provision for credit risk as at 31 December 2022.
Additionally, stage triggers for interest-only mortgages have been revised, by extending the scope of the potentially high-risk interest-only mortgages. This had an increasing impact of € 8 million on the provision for credit risk as at 31 December 2022.

Accounting principles for the consolidated financial statements

The accounting principles set out below have been applied consistently to all the periods presented in these consolidated financial statements. All subsidiaries applied the accounting principles consistently, for the purposes of these consolidated financial statements.

Functional currency and reporting currency

The consolidated financial statements have been prepared in millions of euros (€). The euro is the functional and reporting currency of de Volksbank. All financial data presented in euros are rounded to the nearest million, unless stated otherwise. Counts are based on unrounded figures.

Significant accounting policies

The use of judgements, estimates and assumptions in the preparation of the financial statements

The preparation of the consolidated financial statements requires de Volksbank to make judgements, estimations and assumptions based on complex and subjective opinions and best estimates. These estimates have a significant impact on the reported amounts of assets and liabilities and the contingent assets and liabilities at the balance sheet date, and the reported income and expenses for the financial year. In this regard, management judges situations on the basis of available information and financial data which could potentially change going forward. Although the estimates are made to the best of the management's knowledge, actual results may differ from these estimates and the use of other propositions or data may lead to materially different results.

Judgements, estimations and assumptions are reviewed on a regular basis. The impact of changes in estimates on the accounting outcome is recognised in the period in which the estimate is revised or in the period of revision and future periods if the revision impacts both the reporting period and future periods.

Valuation of certain balance sheet items is highly dependent on the use of judgements, estimations and assumptions. Further disclosure is made on the use of judgements, estimations and assumptions in the specified accounting principles of these balance sheet items. The use of judgements, estimates and assumptions in determining the fair value of financial instruments, for both balance sheet valuations and disclosures, relates to the items below. For detailed information and disclosure of the accounting judgements, estimates and assumptions reference is made to the next sections and the notes to the financial statements items.

- Impairment losses on loans and receivables – refer to Section 4.3.3 Provisioning methodology;
- Valuation of fair value of financial instruments (including prepayment assumption mortgages and amortisation hedge accounting) – refer to Note 22 Specific disclosures of financial instruments;
- Employee commitments, restructuring provisions and other provisions– refer to Note 16 Provisions.
- Outcome of legal and/or arbitration proceedings - refer to Note 20 Contingent liabilities and commitments and 21 Legal proceedings

Basis for consolidation

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

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

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

Elimination of group transactions

Intra-group transactions, intra-group balances and unrealised gains and losses arising from intra-group transactions are eliminated in the preparation of the consolidated financial statements.

Unrealised gains on transactions between de Volksbank and its associates are eliminated to the extent of de Volksbank’s interest in these investments.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currencies

Upon initial recognition, transactions in foreign currencies are converted into euros against the exchange rate at the transaction date. Monetary balance sheet items denominated in foreign currencies are translated into euros at the exchange rate applicable on the reporting date. Exchange rate differences from these transactions and from converting monetary balance sheet items expressed in foreign currencies are recorded in the income statement under ‘investment income’ or ‘result on financial instruments’, depending on the balance sheet item to which they relate.

Government grants

Government grants that are related to income are recognised in the income statement on a systematic basis over the periods that the related expenses, for which it is intended to compensate, are recognised. In the case of an income-related government grant, the government grant is deducted from the related expense. For instance, if the related expense consists of interest due on specific funding, the government grant will be recognised as a deduction from the related interest expense.

Accounting based on transaction date and settlement date

All purchases and sales of financial instruments, which have been settled in accordance with standard market practices, are recognised on the transaction date, more specifically, the date on which de Volksbank commits itself to buy or sell the asset or liability. We use settlement date accounting for 'loans and advances to customers' and 'amounts due to customers'.

Derecognition

A financial asset is derecognised when the rights to receive cashflows from the asset have expired. De Volksbank also derecognises the assets if it has both transferred the asset, and the transfer qualifies for derecognition. A transfer only qualifies for derecognition if de Volksbank has either:

- Transferred substantially all the risks and rewards of the asset; or

- Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

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

Cashflow statement

The cashflow statement is prepared according to the indirect method, and distinguishes between cashflows from operational, investment and financing activities. Cashflows in foreign currency are converted at the exchange rate applicable on the transaction date. With regard to cashflow from operations, operating results before taxation are adjusted for gains and losses that did not result in income and payments in the same financial year and for movements in provisions and accrued and deferred items.
Investments in subsidiaries and associates are stated under cashflow from investing activities. The cash and cash equivalents available at the acquisition date are deducted from the purchase price.
In the context of the cashflow statement, cash and cash equivalents are equal to the balance sheet item cash and cash equivalents.

Acquisitions and disposals

ACCOUNTING POLICIES ACQUISITIONS AND DISPOSALS
De Volksbank accounts for business combinations when control is obtained by the bank. The acquired business combination's assets, liabilities and contingent liabilities are measured at fair value on acquisition date and are subsequently accounted for in accordance with de Volksbank's accounting principles, which are consistent with IFRS-EU. Non-controlling interests are initially stated at their share in the fair value of the net assets on the acquisition date and subsequently adjusted for the non-controlling share in changes in the subsidiary's equity.

The excess of the consideration paid to acquire the business combination over the share of de Volksbank in the net fair value of assets, liabilities and contingent liabilities acquired, is recognised as goodwill. Negative goodwill is recognised directly in the income statement. If the fair values of the assets, liabilities and contingent liabilities, acquired in the business combination, have been determined provisionally, adjustments to these values, resulting from the emergence of new evidence within 12 months after the acquisition date, are made against goodwill. Transaction costs in connection to the purchase of the business combination are expensed as incurred.

In 2022 there were no acquisitions or disposals of businesses.

On 1 September 2021, de Volksbank completed the acquisition of 90% of the shares of the property valuation platform Fitrex B.V. The total purchase price amounted to € 8 million. In accordance with IFRS 3 Business Combinations, the transaction resulted in a goodwill of approximately € 6 million. The amount of goodwill is assessed annually for impairment. Intangibles amounted to € 1 million and are largely attributable to the customer base for intermediaries, with an amortisation period of 5 years. Goodwill has been assessed for impairment and resulted in the conclusion that the amount is recoverable and no impairment is required.

In 2021, there were no disposals of businesses.

1 Financial assets and liabilities

Overview of financial assets and liabilities by measurement base 2022

in € millions	Amortised cost	Fair value through OCI	Fair value through profit or loss	Total
Cash and cash equivalents	8,011	--	--	8,011
Derivatives	--	--	3,302	3,302
Investments	2,751	2,806	34	5,591
Loans and advances to banks	6,884	--	--	6,884
Loans and advances to customers	48,966	--	--	48,966
Other assets	249	--	--	249
Total financial assets	**66,861**	**2,806**	**3,336**	**73,003**
Derivatives	--	--	924	924
Amounts due to banks	2,573	--	232	2,805
Savings	44,501	--	--	44,501
Other amounts due to customers	12,649	--	--	12,649
Debt certificates	7,544	--	--	7,544
Subordinated debt	500	--	--	500
Other liabilities	452	--	--	452
Total financial liabilities	**68,219**	**--**	**1,156**	**69,375**

Overview of financial assets and liabilities by measurement base 2021

in € millions	Amortised cost	Fair value through OCI	Fair value through profit or loss	Total
Cash and cash equivalents	10,305	--	--	10,305
Derivatives	--	--	591	591
Investments	3,295	2,335	8	5,638
Loans and advances to banks	4,527	--	--	4,527
Loans and advances to customers	50,570	--	--	50,570
Other assets	318	--	--	318
Total financial assets	**69,015**	**2,335**	**599**	**71,949**
Derivatives	--	--	1,013	1,013
Amounts due to banks	1,059	--	--	1,059
Savings	45,681	--	--	45,681
Other amounts due to customers	12,447	--	--	12,447
Debt certificates	7,402	--	--	7,402
Subordinated debt	500	--	--	500
Other liabilities	382	--	--	382
Total financial liabilities	**67,471**	**--**	**1,013**	**68,484**

2 Cash and cash equivalents

ACCOUNTING POLICY FOR CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash, the overnight deposits with the Dutch Central Bank (*DNB*) and advances from the activities to credit institutions with an original remaining maturity of less than one month. These receivables are measured at amortised cost using the effective interest method, less any impairments.

Cash and cash equivalents

in € millions	2022	2021
Overnight deposits at Dutch Central Bank	7,907	10,195
Short-term bank balances	80	90
Cash	24	20
Total	**8,011**	**10,305**

As at the end of 2022, € 8 million of the short-term bank balances was encumbered (2021: € 16 million), none of which on account of securitisations (nor at year-end 2021).

3 Derivatives

ACCOUNTING POLICY FOR DERIVATIVES

General

Derivatives are recognised at fair value upon entering into the contract. The fair value of publicly traded derivatives is based on listed prices.

The fair value of non-publicly traded derivatives depends on the type of instrument and is based on a discounted cashflow model or an option valuation model. De Volksbank recognises derivatives with a positive market value as assets and derivatives with a negative market value as liabilities.

Derivatives by type

	2022			2021		
	Nominal amounts	Fair value		Nominal amounts	Fair value	
in € millions		Positive	Negative		Positive	Negative
Macro fair value hedge - interest rate	29,054	2,879	553	23,393	289	630
Micro fair value hedge - interest rate	286	13	2	4,233	77	100
Micro fair value hedge - currency	--	--		21	--	2
Total micro fair value hedge	**286**	**13**	**2**	**4,254**	**77**	**102**
Total fair value hedge	**29,340**	**2,892**	**555**	**27,647**	**366**	**732**
Cash flow hedge - currency contracts	**41**	**--**	**3**	**75**	**2**	**1**
Economic hedge - interest rate	2,215	34	17	5,512	71	30
Economic hedge - currency[1]	10,916	21	31	24,543	94	193
Total economic hedge	**13,131**	**55**	**48**	**30,055**	**165**	**223**
Trading- interest rate	10,898	97	67	7,764	56	57
Trading- currency	18,913	258	251	93	2	--
Total trading[1]	**29,811**	**355**	**318**	**7,857**	**58**	**57**
Total	**72,323**	**3,302**	**924**	**65,634**	**591**	**1,013**

1 Please refer to Section 4.4 Market risk for more information.

Most derivatives are held to hedge against undesired markets risks. This is explained in Note 4 Hedging and hedge accounting.

Economic hedges relate to the hedges that are held for balance sheet management, for which no hedge accounting is applied.

The nominal amounts show the units of account that relate to the derivatives, indicating the relationship with the underlying values of the primary financial instruments. These nominal amounts provide no indication of the size of the cashflows, and the market and credit risks related to the transactions.

IBOR REFORM
Pursuant to the EU Benchmarks Regulation, most reference rates (IBORs) for variable-interest financial instruments have been replaced by Alternative Reference Rates (ARR).

- As from 3 January 2022, EONIA ceased to be published and was converted in the euro short-term rate (€STR);
- The calculation method for Euribor was modified in 2019, followed by authorisation under the EU Benchmarks Regulation. Market participants are, therefore, allowed to continue to use Euribor, which is expected to remain in existence as a benchmark rate for the foreseeable future;
- USD Libor will continue to be published until 30 June 2023, with Secured Overnight Financing Rate (SOFR) adopted in place. As at 31 December 2022, the carrying value for USD Libor Non – derivatives financial assets amounted to € 44 million, of which € 36 million has a maturity date beyond mid-2023 and will be negotiated bilaterally with the counterparties involved.

4 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 to hedge interest rate and foreign currency risks in assets and liabilities. The accounting treatment of the hedged item and the hedging instrument depends on whether the hedge relationship qualifies for hedge accounting in accordance with the EU carve out version of 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 (when possible) to mitigate as much as possible the accounting mismatch and volatility. The IFRS 9 standard provides users with the option of starting to apply the IFRS 9 hedge accounting rules or to continue to apply the (EU carve out version of) IAS 39 hedge accounting rules. De Volksbank has decided to continue to apply the EU carve out version of IAS 39 hedge accounting requirements. De Volksbank designates certain derivatives as a hedge of either:
1. The risk of changes in the fair value of a recognised asset or liability or firm commitment (fair value hedge); or
2. 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 accounting 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 range 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 Other result on financial instruments. Hedge ratios follow from the choices made for hedging of interest and currency risks. Ineffectiveness in hedge relationships might be caused by differences in maturities of the swap and the hedged item; and by the fair value of the floating leg of the interest rate swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate.

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 conditions of the EU carve out version of IAS 39 for hedge accounting or for which it is not cost-efficient to apply hedge accounting, are recognised directly in the income statement.

Fair value hedge accounting
Derivatives that are designated as hedging the fair value of recognised assets or liabilities are recognised as a fair value hedge. Gains or losses on remeasurement of both the hedging instrument and the hedged item are recognised in the Income statement within Other result on financial instruments.

The same goes for the corresponding adjustment of the fair value of the hedged asset or hedged liability attributable to the specific hedged risk. 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. The approach determines the amortisation period on the underlying remaining interest rate maturity of the hedged item. As a result, value adjustments 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 or loss.

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. 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 models and removes some of the limitations in macro fair value hedge accounting with respect to under hedging strategies. In addition, some restrictions on under-hedging strategies for fair value macro hedge accounting do not apply. De Volksbank applies micro fair value hedging to hedge separate hedged positions, which may be assets or liabilities.

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 total equity. Any ineffective part of the cashflow hedge is recognised in Other result on 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.

Hedging

De Volksbank uses derivatives for the following objectives:
- To manage interest rate risk in the banking book and trading book;
- To hedge foreign exchange risks by converting non-euro funding and investments into euro;
- To use as economic hedging instrument for the prepayment risk on mortgage loans.

For a total overview of the derivatives, see Note 3 Derivatives.

HEDGE ACCOUNTING

In most of the hedging strategies explained above, de Volksbank applies hedge accounting. In addition to the main distinction between fair value hedges and cashflow hedges, there is also a distinction between micro hedges and macro hedges in hedge accounting. Micro hedging is a technique used to hedge individual contracts. Macro hedging is a technique used to hedge the risk on a portfolio of contracts. The types of hedge accounting applied by De Volksbank are explained below.

FAIR VALUE HEDGES

Hedging the interest rate risk in the banking book (macro hedge)

The portfolio hedged comprises fixed-rate mortgages of de Volksbank. The hedging instruments are interest rate swaps entered into as part of the interest rate risk management in the ALM process. The risk hedged is the risk of change in fair value of the portfolio attributable to movements in market interest rates. The hedge is set up and terminated at least once a month. Effectiveness assessments are performed on a prospective and retrospective basis and are measured using the dollar offset method.

Hedging the interest rate risk on investments (macro hedge)

The interest rate risk on fixed-income investments is hedged by swapping the coupon to a floating interest rate with interest swaps. The country or credit spread risk component is not hedged. The hedges provide protection for the accumulated revaluation reserve of the relevant fixed-income investments. The hedge is set up and terminated at least once a month. Effectiveness assessments are performed on a prospective and a retrospective basis and are measured using the dollar offset method.

Hedging the interest rate risk on funding (micro hedge)

De Volksbank conducts micro hedging to convert fixed-rate funding into floating interest rates by means of interest rate swaps. If such funding is denominated in a foreign currency, cross-currency swaps are entered into. The hedge is set up once and will not be terminated. Effectiveness assessments are performed on a prospective and retrospective basis and are measured using the dollar offset method.
In addition to converting foreign currencies into euros and fixed-rate funding into floating-rate funding, de Volksbank also uses derivatives to convert structured funding into floating-rate funding. In structured funding, the funding charge is related to, for example, developments in an equity index or inflation. The funding programme also includes interest rate structures such as floating-rate coupons with a multiplier or a leverage factor. De Volksbank fully hedges the interest rate risk on these structures.

CASHFLOW HEDGES

Hedging floating interest rate cashflows

To reduce the variable interest rate cashflow risk arising from some specific investments or loans, de Volksbank applies micro cashflow hedge accounting by means of interest rate swaps and, if such investment or loan is denominated in a foreign currency, cross-currency interest rate swaps. By using these cross-currency interest rate swaps not only the variability in cashflows, but also the foreign exchange risk arising from the investments or loans is fully hedged, on the whole resulting in euro investments or loans. To apply micro hedge accounting, the hedged item (investment or loan) and the hedging instrument (derivative) are linked together in specific hedge relationships. Prospective effectiveness testing consists of matching the critical terms at inception of the hedge, retrospective effectiveness testing consists of a monthly comparison of the change in the fair value of the hedged cashflows and the fair value of the hedging instrument.
The accrued value of the derivatives is included in total equity over the remaining term of the hedge. The value accrued in total equity was less than € 1 million as at 31 December 2022 (2021: also less than € 1 million).

In the years prior to 2019, de Volksbank also applied macro cashflow hedge accounting to hedge the risk of floating interest rate cashflows on the cash position, floating interest rate mortgages, quotations and floating-rate funding by entering into interest rate swaps and basis swaps. These hedges no longer exist. The value of these former hedges accrued in total equity was € 23 million positive (gross) as at 31 December 2022 (2021: € 25 million positive (gross)).

Hedged items in fair value hedges

in € millions	2022 Carrying amount of the hedged item	2022 Accumulated amount of fair value hedge adjustments on the hedged item	2021 Carrying amount of the hedged item	2021 Accumulated amount of fair value hedge adjustments on the hedged item
ASSETS				
MACRO FAIR VALUE HEDGES				
Loans and advances - interest rate risk	12,318	-1,996[1]	46,534	866[2]
Investments FVOCI - interest rate risk	1,690	-188	--	--
Investments AC - interest rate risk	2,169	-169	--	--
MICRO FAIR VALUE HEDGES				
Investments FVOCI - interest rate risk[3]	--	--	1,361	11
Investments AC - interest rate risk[3]	--	--	2,753	51
Loans and advances - currency risk	--	--	22	--
LIABILITIES				
MICRO FAIR VALUE HEDGES				
Issued debt - interest rate risk	290	8	360	47

1 The macro hedge adjustment of € 1,996 million negative consists of € 1,998 million negative active hedges and € 2 million positive for discontinued hedges which are amortised.
2 The macro hedge adjustment of € 866 million consists of € 285 million active hedges and € 581 million for discontinued hedges which are amortised.
3 As from 2022, the hedge strategy for investments has been redefined into macro fair value hedging.

Effectiveness fair value hedges

in € millions	2022	2021
Fair value movements hedging instruments	3,221	639
Fair value movements hedged item attributable to hedged risks	-3,209	-636
Ineffectiveness macro fair value hedges	**12**	**3**
Fair value movements hedging instruments	-47	69
Fair value movements hedged item attributable to hedged risks	44	-69
Ineffectiveness micro fair value hedges	**-3**	**--**

The ineffectiveness of fair value hedges is recognised in the income statement within Other result on financial instruments. The ineffectiveness of cash flow hedges was less than € 1 million at year-end 2021 and 2020.

Nominal amount hedging instruments in micro fair value hedges 2022

	Maturity				Fair value	
in € millions	≤1 year	> 1 year - 5 years	> 5 years	Total	Positive	Negative
Investments[1]	--	--	--	--		
Issued debt	75	119	92	286	13	2
Interest rate risk micro hedges	**75**	**119**	**92**	**286**	**13**	**2**
Loans and advances	--	--	--	--	--	--
Foreign exchange risk micro hedges	**--**	**--**	**--**	**--**	**--**	**--**
Total micro hedge instruments	**75**	**119**	**92**	**286**	**13**	**2**

1 As from 2022, the hedge strategy for investments has been redefined into macro fair value hedging.

Nominal amount hedging instruments in micro fair value hedges 2021

	Maturity				Fair value	
in € millions	≤1 year	> 1 year - 5 years	> 5 years	Total	Positive	Negative
Investments	471	2,011	1,435	3,917	21	99
Issued debt	30	164	122	316	56	1
Interest rate risk micro hedges	**501**	**2,175**	**1,557**	**4,233**	**77**	**100**
Loans and advances	21	--	--	21	--	2
Issued debt	--	--	--	--	--	--
Foreign exchange risk micro hedges	**21**	**--**	**--**	**21**	**--**	**2**
Total micro hedge instruments	**522**	**2,175**	**1,557**	**4,254**	**77**	**102**

5 Investments

ACCOUNTING POLICY FOR INVESTMENTS AT AMORTISED COST
An investment in debt instruments is measured at amortised cost less any impairment losses if it is held as part of a portfolio with an underlying business model to collect contractual cash flows until maturity (hold to collect (HTC)). The cash flows of the investment shall solely consist of interest payments and principal repayments (Solely Payments of Principal and Interest, or SPPI).

ACCOUNTING POLICY FOR INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (OCI)
An investment in debt instruments is measured at fair value through OCI less any impairment losses if it is held as part of a portfolio with an underlying business model to collect contractual cash flows and to sell in the interim (hold to collect and sale (HTCS)). The cash flows of the investment in debt instruments shall solely consist of interest payments and principal repayments. When the investments are sold, the related accumulated fair value adjustments are recognised in the income statement as Investment income. De Volksbank applies the average cost method to determine these results, where necessary.

ACCOUNTING POLICY FOR INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS
An investment in debt or equity instruments is measured at fair value through profit or loss if it is held as part of a portfolio with an underlying business model that qualifies as 'other' and/or the investment does not meet the IFRS 9 criteria that the cash flows of the investment solely consist of interest payments and principal. The business model 'other' is a business model that does not qualify as HTC or HTCS and may consist of trading portfolios. Realised and unrealised gains and losses are recognised directly in the income statement under Investment income. Interest income earned on securities is recognised as interest income. Dividend received is recorded under Investment income.

Fair value changes of equity investments are recognised in profit or loss or in OCI following an irrevocable election at initial recognition. This choice is made separately for each equity investment.

ACCOUNTING POLICY FOR IMPAIRMENT LOSSES OF INVESTMENTS
An expected credit loss (ECL) model is applied to financial assets valued at amortised cost and to financial assets valued at fair value through other comprehensive income (OCI). Under the ECL model, de Volksbank calculates the probability that a default (PD) occurs at different moments in time. This is multiplied by the difference between contractual cash flows due and the expected cash flows to be received, i.e. cash shortfall. The provision is the sum of all cash shortfalls multiplied by the PD at the different moments in time. The ECL calculations contain information about the past, present and future. In order to calculate the ECL, the applicable PD, EAD and LGD are multiplied and discounted.

Impairment losses for interest-bearing investments measured at amortised cost or fair value through OCI are determined based on ECL's. Impairment losses are recognised directly in the income statement under Impairment charges (reversals) of financial assets. For further information on impairment losses on financial assets and the model-based assumptions for the determination of ECL, please refer to Section 4.3.3 Provisioning methodology.

Overview of investments

	Equity securities		Debt securities		Total	
in € millions	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Amortised cost	--	--	2,751	3,295	2,751	3,295
Fair value through OCI	3	5	2,803	2,330	2,806	2,335
Fair value through P&L	9	8	25	--	34	8
Total	**12**	**13**	**5,579**	**5,625**	**5,591**	**5,638**

In 2022, the total value of investments decreased slightly from € 5,638 million in 2021 to € 5,591 million. All debt securities were allocated to stage 1, as they were in 2021. The provision for credit losses on debt securities rose by € 5 million to € 7 million. This increase was mainly driven by increased credit spreads on our fixed-income portfolio.
In the first half of 2022, part of the HTC portfolio was sold and the associated hedges were unwound, mainly caused by the increased credit risk at that time of some government bonds making them no longer appropriate in the HTC investment mandate.

At the end of 2022 de Volksbank invested in certain debt securities issued by securitisation vehicles set up by other parties, and outside the scope of de Volksbank's consolidation, amounting to € 70 million (2021: € 107 million). The decrease is the result of three redemptions in 2022, partially compensated by one additional investment in the highest tranche of Dutch Residential Mortgage-Backed Securities. All outstanding debt securities concern mortgage-backed investments with an investment grade rating, which expose the bank to limited credit risk by being senior in the payment waterfall of the securitisation vehicles.

Statement of changes in investments

	Amortised cost		Fair value through OCI				Fair value through P&L				Total	
	Debt securities		Equity securities		Debt securities		Equity securities		Debt securities			
in € millions	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Opening balance	3,295	3,082	5	4	2,330	2,021	8	6	--	--	5,638	5,113
Reclassifications	-25	--	--	--	--	--	--	--	25	--	--	--
Purchases and advances	658	546	--	2	1,537	1,201	--	1	--	--	2,195	1,750
Disposals	-274	-62	--	--	-613	-787	--	--	--	--	-887	-849
Redemptions	-667	-192	--	--	-40	-41	--	--	--	--	-707	-233
Revaluations	-227	-67	--	--	-403	-57	1	1	-1	--	-630	-123
Change in trading portfolio	--	--	--	--	--	--	--	--	1	--	1	--
Impairments	-2	--	-2	-1	-4	--	--	--	--	--	-8	-1
Amortisation	-7	-12	--	--	-4	-7	--	--	--	--	-11	-19
Closing balance	**2,751**	**3,295**	**3**	**5**	**2,803**	**2,330**	**9**	**8**	**25**	**--**	**5,591**	**5,638**
(Amortised) cost price	2,754	3,296	3	11	3,196	2,309	9	8	25	--	5,987	5,624
Provision for credit losses	-3	-1	--	-1	-4	-1	--	--	--	--	-7	-3
Unrealised gains (losses)	--	--	--	-5	-389	22	--	--	--	--	-389	17
Total	**2,751**	**3,295**	**3**	**5**	**2,803**	**2,330**	**9**	**8**	**25**	**--**	**5,591**	**5,638**

Investments by counterparty

	Amortised cost		Fair value through OCI		Fair value through P&L		Total	
in € millions	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
EQUITY SECURITIES								
Financial corporations	--	--	3	5	9	8	12	13
DEBT SECURITIES								
Government	1,012	1,693	1,596	1,638	25	--	2,633	3,331
Financial corporations	1,413	1,097	586	435	--	--	1,999	1,532
Non-financial corporations	326	505	621	257	--	--	947	762
Total debt securities	**2,751**	**3,295**	**2,803**	**2,330**	**25**	**--**	**5,579**	**5,625**
of which: green and sustainable bonds	*1,418*	*1,264*	*694*	*558*	*--*	*--*	*2,112*	*1,822*
Total investments	**2,751**	**3,295**	**2,806**	**2,335**	**34**	**8**	**5,591**	**5,638**

Investments by rating

	Amortised cost		Fair value through OCI		Fair value through P&L		Total	
in € millions	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
AAA	1,588	1,717	1,458	1,232	--	--	3,046	2,949
AA	1,082	1,251	673	669	--	--	1,755	1,920
A	60	169	333	253	--	--	393	422
BBB	21	53	339	176	--	--	360	229
< BBB	--	--	--	--	--	--	--	--
No rating	--	105	3	5	34	8	37	118
Total	**2,751**	**3,295**	**2,806**	**2,335**	**34**	**8**	**5,591**	**5,638**

Investments by country

	Amortised cost		Fair value through OCI		Fair value through P&L		Total	
in € millions	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Germany	705	879	762	681	--	--	1,467	1,560
Netherlands	662	717	766	597	1	--	1,429	1,314
France	501	626	307	173	--	--	808	799
Belgium	235	288	274	297	25	--	534	585
Austria	146	150	73	104	--	--	219	254
Luxembourg	145	137	240	172	--	--	385	309
Ireland	23	128	5	-	--	--	28	128
Finland	164	173	--	--	--	--	164	173
Spain	21	53	182	221	--	--	203	274
Other countries	149	144	197	90	8	8	354	242
Total	**2,751**	**3,295**	**2,806**	**2,335**	**34**	**8**	**5,591**	**5,638**

6 Loans and advances to banks

ACCOUNTING POLICY FOR LOANS AND ADVANCES TO BANKS
Loans and advances to banks are measured at amortised cost using the effective interest method, less any impairment losses based on an expected credit loss (ECL) model. This item includes receivables to banks with a remaining maturity of one month or more.
This item relates to loans and advances to banks, excluding interest-bearing securities, and demand deposits with the Dutch Central Bank (*DNB*).

Loans and advances to banks

in € millions	2022	2021
Deposits	6,487	4,016
Demand deposits at the Dutch Central Bank	402	511
Provision for credit losses	-5	--
Total	**6,884**	**4,527**

The loans and advances to banks are classified in stage 1. The provision for credit losses went up to € 5 million (2021: nil) driven by increased credit spreads.
The loans and advances to banks amount for € 88 million collateral posted on derivative transactions (2021: € 479 million).

7 Loans and advances to customers

ACCOUNTING POLICY FOR LOANS AND ADVANCES TO CUSTOMERS
Loans and advances to customers are measured at amortised cost using the effective interest method less any impairment losses.

Provisions for loans and advances to customers
Expected credit loss (ECL) provisions are recognised for credit exposures measured at amortised cost and loan commitments and financial guarantee contracts (off-balance sheet items). Under the ECL model, de Volksbank calculates the probability that a default (PD) occurs at different moments in time. This is multiplied by the difference between contractual cash flows due and the expected cash flows to be received, i.e. 'cash shortfall'. The provision is the sum of all cash shortfalls multiplied by the PD at the different moments in time. The ECL calculations contain information about the past, present and future. In order to calculate the ECL, the applicable PD, EAD and LGD are multiplied and discounted.

A three-stage model is used under IFRS 9. In stage 1, de Volksbank recognises credit exposures that have shown no significant increase of credit risk since initial recognition and a 12-month expected loss is determined. Stage 2 comprises credit exposures that show a significant increase of credit risk relative to initial recognition but that are not credit impaired are recognised. For these credit exposures, a lifetime expected credit loss is determined. Credit exposures that are credit impaired are recognised in stage 3, for which also a lifetime expected credit loss is determined. De Volksbank applies a specific default definition for each portfolio for which loan loss provisions are determined under IFRS 9. For more information about the stage allocation process, please refer to Section 4.3.3 Provisioning methodology.

Write-off
When writing off a loan, we make a distinction between the waiver of amounts payable and the write-off of a residual debt. The following is a description of these terms:
1. Waiver of amounts payable: a (part of the) loan is written off if the waiver of amounts payable leads to the customer's recovery. The consequence of this is that the customer can meet his or her payment obligations again. Waivers of amounts payable are debited to the credit provision;
2. Write-off of residual debt: there may be a residual debt as a result of a recovery process. This residual debt is fully provisioned for. Any collateral is realised during a period of 6 months after the execution process. After this period, any remaining debt is written off.

Loans and advances to customers by portfolio

	Gross carrying amount		Provision for credit losses		Book value	
in € millions	2022	2021	2022	2021	2022	2021
Residential mortgages	46,232[1]	48,018[1]	-98	-73	46,134	47,945
Consumer loans	54	52	-9	-10	45	42
SME loans	1,085	830	-24	-23	1,061	807
Other corporate and government loans	1,749	1,777	-23	-1	1,726	1,776
Total	**49,120**	**50,677**	**-154**	**-107**	**48,966**	**50,570**

1 Including IFRS value adjustments of € 2,040 million negative (2021: € 810 million positive), consisting of fair value adjustments from hedge accounting and amortisations.

De Volksbank has securitised part of the mortgage loans. The remaining principal of the securitised portfolio amounts to € 8.2 billion (2021: € 11.9 billion), of which € 7.9 billion (2021: € 11.5 billion) is on own book. There is a limited transfer of risks and benefits for the securitised mortgage loans. Therefore, they are not derecognised from the balance sheet. Further information on securitisation transactions is provided under Note 14 Debt certificates and for more information on intra-group transactions, see Note 23 Related parties. More information on asset encumbrance can be found in Note 24 Transferred and encumbered assets.

The total provision for loans and advances amounted to € 154 million as at 31 December 2022 (year-end 2021: € 107 million). The increase in provisions was mainly due to the residential mortgage portfolio and a few individual corporate loans.

Please refer for more information on loans and advances to customers to Section 4.3.3 Provisioning methodology that describes the breakdown of the stages and gives information on the models used and to the Sections 4.3.4 Figures, ratios and trends up to and including Section 4.3.9 Other corporate and governmental loans with the label 'Audited', for quantitative and qualitative information on the portfolios.

8 Property, equipment and intangible assets

ACCOUNTING POLICY FOR PROPERTY AND EQUIPMENT

Land and buildings in own use

Property in own use mainly comprises offices (land and buildings) and is measured at cost net of accumulated depreciation and, if applicable, impairment losses.

Buildings are depreciated over their economic life using the straight-line method, with a maximum of 50 years. Land is not depreciated. An assessment is made whether there is an indication that land and buildings may be impaired.

IT equipment and other assets

All other tangible assets included in this item are measured at cost net of accumulated depreciation and, if applicable, accumulated impairment losses.

The cost price comprises the expenses directly attributable to the acquisition of the assets and is depreciated on a straight- line basis over the useful life, taking into account any residual value. The estimated useful life may vary from 3 to 10 years.

Results on the sale of property and equipment are recognised as negative depreciation.

ACCOUNTING POLICY FOR INTANGIBLE ASSETS

Goodwill

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

Any change, in the fair value of acquired assets and liabilities at the acquisition date, determined within one year after acquisition, is recognised as an adjustment charged to goodwill. Adjustments that occur after a period of one year are recognised in the income statement.

General
Intangible assets are measured at cost net of accumulated amortisation and, if applicable, accumulated impairment losses.

Software
Costs that are directly related to the development of identifiable software products that de Volksbank controls and that are likely to generate economic benefits that exceed these costs, are capitalised as intangible assets. The direct costs comprise external costs and staff costs directly attributable to software development. All other costs associated with the development or maintenance of software are included as an expense in the period during which they are incurred.

Other intangible assets
The other intangible assets of de Volksbank consist of distribution networks and are amortised in accordance with the straight-line method over their estimated useful life, generally between five and fifteen years. If objective indications require so, an impairment test will be performed.

ACCOUNTING POLICY FOR IMPAIRMENTS

Goodwill
Goodwill created with the acquisition of subsidiaries, associated companies and joint ventures is allocated to cash-generating units (CGU). The book value of the CGU, including goodwill, is compared to the calculated recoverable value, determined on the basis of value-in-use. If the recoverable value is lower than the book value, the difference will be recognised as impairment in the income statement. Assumptions used in these goodwill impairment tests are value-in-use based on the business plans and the allocated discount rate based on the risk profile of the CGU.

General
An asset is subject to impairment if its book value exceeds the recoverable amount from continued use (value-in-use) or sale of the asset. The recoverable amount is the highest value of the fair value less costs of disposal and the value in use. The recoverable amount of assets is estimated if there are indications of impairment of the asset. Intangible assets not yet available for use are tested for impairment at least once a year. If such intangible assets are initially recognised during the reporting period, they are tested for impairment before the end of the reporting period.

Software and other intangible assets
On each reporting date, the capitalised costs for software, distribution channels and customer portfolios are reviewed for indicators of potential impairments.

REVERSAL OF IMPAIRMENTS ON PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS
Except for goodwill, impairment losses on property, equipment and intangible assets are reversed if there is proof that a change in the estimates used to determine the recoverable amount occurred after the impairment loss was recognised. The reversal is included under depreciations in the income statement. The book value after reversal may never exceed the amount before recognition of the impairment loss.

Tangible and intangible assets

Tangible and intangible assets

in € millions	2022	2021
Land and buildings in own use	8	11
IT equipment	8	6
Other tangible assets	25	26
Right of use of lease contracts	38	44
Total property and equipment	**79**	**87**
Internally developed software	--	--
Goodwill	5	5
Other intangible assets	1	1
Total intangible assets	**6**	**6**
Total	**85**	**93**

For a more detailed explanation on right of use of lease contracts, see Note 18 Lease contracts. All sublease contracts are treated as finance subleases. As a consequence, net investment in the subleases are recognised under Note 10 Other assets.

Property and equipment

Statement of changes in property and equipment

	Land and buildings		IT equipment		Other tangible assets		Total	
in € millions	2022	2021	2022	2021	2022	2021	2022	2021
Accumulated acquisitions costs	10	14	39	33	95	91	144	138
Accumulated depreciation and impairments	-2	-3	-31	-27	-70	-65	-103	-95
Closing balance	**8**	**11**	**8**	**6**	**25**	**26**	**41**	**43**
Opening balance	11	11	6	9	26	27	43	47
Investments	--	1	6	2	7	7	13	10
Divestments	-3	-4	--	--	--	--	-3	-4
Depreciation	--	--	-4	-5	-7	-8	-11	-13
Impairments	--	3	--	--	-1	--	-1	3
Closing balance	**8**	**11**	**8**	**6**	**25**	**26**	**41**	**43**

At year-end 2022, the renovations to the leased office premises not yet in use amounted to € 1 million (2021 € 2 million).
For more details on the sale and leaseback of the property in own use in Den Bosch, reference is made to Note 18 Lease contracts.

Intangible assets

Statement of changes in intangible assets

	Goodwill		Other intangible assets		Total	
in € millions	2022	2021	2022	2021	2022	2021
Accumulated acquisition costs	5	5	1	1	6	6
Accumulated amortisation and impairments	--	--	--	--	--	--
Closing balance	**5**	--	**1**	1	**6**	**1**
Opening balance	5	--	1	--	6	--
Depreciation purchases	--	--	--	--	--	--
Investments	--	5	--	1	--	6
Closing balance	**5**	**5**	**1**	**1**	**6**	**6**

Goodwill and other intangible assets

On 1 September 2021, de Volksbank completed the acquisition of 90% of the shares in the property valuation platform Fitrex B.V. The total purchase price amounted to € 8 million. In line with IFRS 3 Business Combinations, the transaction results in a goodwill amount of approximately € 5 million. The amount of goodwill is assessed annually for impairment. Intangibles amounted to € 1 million and are largely attributable to the customer base for intermediaries, with an amortisation period of 5 years. For more details on this acquisition, reference is made to Note Acquisition and disposals.

Depreciation and amortisation

Depreciation and amortisation

in € millions	2022	2021
Depreciation on tangible assets	11	13
Impairments on tangible assets	1	-3
Depreciation of right of use assets (leases)	10	10
Amortisation on intangible assets	--	--
Total	**22**	**20**

9 Tax assets and liabilities

ACCOUNTING POLICY FOR TAX ASSETS AND LIABILITIES

Accounting policy for corporate tax

Corporate income tax relates to payable or recoverable tax on the taxable profit for the period under review, and taxes due from previous periods. If any corporate income tax includes dividend withholding tax, this is settled through the corporate income tax return. Current tax recoverables and payables are measured at nominal value according to the tax rate applicable at the reporting date.

Accounting policy for deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for tax losses carried forward and for temporary differences between the tax base of assets and liabilities and the book value. This is based on the tax rates applicable as at the balance sheet date and the tax rates that will apply in the period in which the deferred tax assets or tax liabilities are settled. Deferred taxes are measured at nominal value.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred taxes are recognised for temporary differences between the book value and the value for tax purposes of investments in group companies and associates, unless de Volksbank is able to determine the time at which these temporary differences will end and if it is probable that these differences will not end in the near future. Deferred tax assets are assessed at balance sheet date.

The most significant temporary differences arise from certain financial assets and liabilities, such as derivative contracts and the application of hedge accounting, provisions for pensions and other post-retirement employee plans, deductible losses carried forward and, as far as acquisitions are concerned, from the difference between (a) the fair value of the acquired net assets and (b) the tax value.

Tax assets and liabilities

	Tax assets		Tax liabilities	
in € millions	**2022**	**2021**	**2022**	**2021**
Corporate income tax	12	34	--	--
Deferred taxes	55	5	6	9
Total	**67**	**39**	**6**	**9**

CORPORATE INCOME TAX

Corporate income tax recoverable and payable for the years up to and including 2020 is irrevocable. The return for 2020 was filed in April 2022 and definitively assessed in July 2022. The corporate income tax due by the various subsidiaries of the fiscal unity for corporate income tax purposes based on the final assessment as well as the return filed has been settled with the head of the fiscal unity, i.e. de Volksbank N.V. The corporate income tax return for 2021 must be filed before 1 May 2023.

Origin of deferred tax assets and liabilities 2022

in € millions	Opening balance	Change through P&L	Change through OCI	Other movements	Closing balance
Property and equipment	1	--	--	-1	--
Investments	-3	--	54	--	51
Derivatives	-6	--	1	--	-5
Loans and advances to customers	--	--	--	--	--
Provisions	3	-1	--	--	2
Other	1	--	--	--	1
Total	**-4**	**-1**	**55**	**-1**	**49**

Origin of deferred tax assets and liabilities 2021

in € millions	Opening balance	Change through P&L	Change through OCI	Other movements	Closing balance
Property and equipment	3	-3	--	1	1
Investments	-9	--	6	--	-3
Derivatives	-8	--	2	--	-6
Loans and advances to customers	12	-12	--	--	--
Provisions	3	--	--	--	3
Other	--	1	--	--	1
Total	**1**	**-14**	**8**	**1**	**-4**

Tax-effect changes total equity

in € millions	2022	2021
Change in revaluation reserve	--	--
Change in cashflow hedge reserve	1	2
Change in fair value reserve	54	6
Total	**55**	**8**

Tax-deductible losses

in € millions	2022	2021
Total tax-deductible losses	--	--
Deferred tax assets calculated on tax-deductible losses	--	--
Average tax rate	0.0%	25.0%

The financial instruments in the tax return are valued on the basis of the same accounting principles as those that apply to the financial statements for reporting purposes with exception of the revaluation reserve.

10 Other assets

ACCOUNTING POLICY FOR OTHER ASSETS
Other assets comprise amounts to be settled, accrued assets and other, including other taxes. The other taxes are recognised at nominal value. The remaining amounts to be settled, accrued assets and other are recognised at amortised cost. The net amount of claims and provisions in relation to the Deposit Guarantee Scheme (DGS) is recorded under other advances.

Other assets

in € millions	2022	2021
Accrued assets	19	77
Amounts to be settled	155	178
Other advances	64	49
Sublease	11	14
Total	**249**	**318**

ACCRUED ASSETS
Trade and other receivables relates to various receivables in the normal course of business include short-term receivables relating to mortgage and other amounts receivables from customers.

AMOUNTS TE BE SETTLED
Amounts to be settled primarily include transactions not settled at balance sheet date. The nature of these transactions is short term and are expected to settle shortly after the closing date of the balance sheet.

OTHER ADVANCES
Other accrued assets include the advanced contribution of de Volksbank to the Dutch Central Bank of € 36 million (2021: € 32 million) under the DGS in relation to its share related to the bankruptcy of DSB bank.

11 Amounts due to banks

ACCOUNTING POLICY FOR AMOUNTS DUE TO BANKS
Amounts due to banks comprise unsubordinated debts to credit institutions. Amounts due to banks include private loans, current accounts and repos.

At initial recognition, amounts due to banks in the banking book are measured at fair value, including transaction costs incurred. Thereafter, they are measured at amortised cost.

Any difference between the measurement at initial recognition and the redemption value is recognised under interest expense in the income statement during the term of these amounts owed by using the effective interest method.

Amounts due to banks held for trading are measured at fair value through profit or loss. Unrealised and realised gains or losses are recognised in Other result on financial instruments.

Amounts due to banks

in € millions	2022	2021
Repurchase agreements - held for trading	232	--
Cash collateral received	2,447	92
Current accounts	11	8
Deposits with agreed maturity	115	959
Total	**2,805**	**1,059**

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

Under private loans, € 10 million (2021: € 5 million) relates to the placement of debt instruments (*Schuldscheine*) with banks.

TLTRO
Amounts due to banks includes de Volksbank's participation in 2020 in the targeted longer term refinancing operations III (TLTRO III.5) programme set up by the ECB in the amount of € 0.7 billion. In addition, in 2021, de Volksbank participated for € 70 million in additional funding from the ECB (TLTRO III.7). The charged interest rate under the TLTRO III programme contains a discount that is linked to the amount of loans granted to non-financial corporations and households (excluding mortgages) and a positive net growth of these loans during a reference period. In the assessment whether or not de Volksbank would qualify for the interest rate discount under TLTRO III, de Volksbank took into account the amount of its outstanding eligible loans as well as the business forecasts of expected net growth of these particular loans. De Volksbank determined that it is likely to qualify for the interest rate discount. As the interest rate discount on TLTRO III is considered to be a below-market interest rate, the discount qualifies as an income-related government grant according to IAS 20. The related negative interest expenses amount to € 3.8 million (2021: € 7.6 million) and are presented as interest income on liabilities. The TLTRO III programme has a legal maturity of three years, though each quarter there is a voluntary repayment option. This option has also become available for TLTRO III.5 as of September 2021 and as from March 2022 for TLTRO III.7. In the second quarter of 2022, de Volksbank made use of this voluntary repayment option and repaid the TLTRO III funding in full.

12 Savings

ACCOUNTING POLICY FOR SAVINGS
Savings consist of balances on (bank) savings accounts, savings deposits and term deposits of households. At initial recognition savings are measured at fair value. Thereafter, they are measured at amortised cost.

Any difference between the measurement at initial recognition and the redemption value is recognised under 'interest expense' in the income statement during the term of these savings by using the effective interest method.

Savings of households

in € millions	2022	2021
Deposits with agreed maturity	3,979	4,126
Deposits due on demand	40,522	41,555
Total	**44,501**	**45,681**

Bank savings accounts amount to € 3,588 million (2021: € 3,603 million).

13 Other amounts due to customers

ACCOUNTING POLICY FOR OTHER AMOUNTS DUE TO CUSTOMERS
Other amounts due to customers represent unsubordinated debts to non-banks, other than in the form of debt certificates. This item mainly comprise demand deposits, cash and home construction accounts.

At initial recognition other amounts due to customers are measured at fair value, including transaction costs incurred. Thereafter, they are measured at amortised cost.

Any difference between the measurement at initial recognition and the redemption value is recognised under interest expense in the income statement during the term of these amounts owed by using the effective interest method.

Other amounts due to customers

in € millions	2022	2021
Current accounts - households	7,018	6,343
Current accounts - corporates	1,117	1,169
Savings deposits mortgages - households	542	541
Investment portfolio mortgages - households	15	17
Deposits with agreed maturity - corporates	1,795	1,944
of which private loans	*477*	*532*
of which savings deposits mortgages	*1,202*	*1,296*
Deposits due on demand - corporates	2,162	2,433
Total	**12,649**	**12,447**

Under private loans, € 316 million relates to the placement of debt instruments (*Schuldscheine*) at pension funds and insurance companies (2021: € 361 million).

Part of the private loans is issued under the covered bond programme of de Volksbank. The book value of the private loans amounts to € 157 million (2021: € 166 million). Additional repayment security for these private loans was given by the Covered Bond Company. For more information on the covered bond programme, reference is made to Note 14 Debt certificates.

As part of savings mortgage arrangement, de Volksbank and insurer Athora Netherlands have agreed that the savings premiums the insurer receives from the customer will be held by the bank. These savings premiums and the interest credited (the savings capital designated for mortgage redemption) mean that, in principle, the insurer has an unsecured claim against the bank. To spread the insurer's default risk, a cession/retrocession agreement was concluded under which the insurer transfers the savings capital to the bank in exchange for a partial and joint right to the savings-based mortgage claims. In 2022, the savings capital accrued totalled € 1,202 million (2021: € 1,296 million).

14 Debt certificates

ACCOUNTING POLICY FOR DEBT CERTIFICATES

Debt certificates include the non-subordinated bonds and other debt certificates with a fixed or variable interest rate. At initial recognition outstanding debt certificates are measured at fair value, which ordinarily corresponds to the issue proceeds (the fair value of the payment received) net of the transaction costs incurred. Subsequently, these instruments are measured at amortised cost, using the effective interest method.

When de Volksbank purchases its own debt securities, these debt securities are derecognised.

Debt certificates

in € millions	2022	2021
Medium-term notes (MTN)	7,166	6,858
Certificates of deposits	100	200
Debt certificates issued under Pearl and Lowland Securitisation programmes	278	344
Balance as at 31 December	**7,544**	**7,402**

Statement of changes debt certificates

	Medium Term Notes		Certificates of Deposit		Issued under securitisation programmes		Total	
in € millions	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	6,858	5,446	200	240	344	433	7,402	6,119
Issues	857	1,641	343	351	--	--	1,200	1,992
Redemptions	-529	-224	-444	-390	-66	-89	-1,039	-703
Revaluations	-28	-3	--	--	--	--	-28	-3
Amortisation	7	3	--	-1	--	--	7	2
Change accrued interest	9	3	1	--	--	--	10	3
Change in fair value as a result of hedge accounting	-8	-8	--	--	--	--	-8	-8
Closing balance	**7,166**	**6,858**	**100**	**200**	**278**	**344**	**7,544**	**7,402**

Medium Term Notes

Medium Term Notes

in € millions[1]	Coupon rate	Book value 2022	Nominal value 2022	Book value 2021	Nominal value 2021
De Volksbank N.V.	Fixed	6,879	6,930	6,244	6,275
De Volksbank N.V.	Structured	87	79	116	81
De Volksbank N.V.	Floating	200	200	498	497
Total		**7,166**	**7,209**	**6,858**	**6,853**

1 MTN's before 2017 were issued under the name SNS Bank N.V.

The Medium Term Notes (MTM) comprise both private loans and public loans issued under the EMTN programme.

For a total of 4.3 billion (2021: € 4.2 billion) of MTM's , bonds were issued under the Covered Bond programme by de Volksbank. Payment of interest and principal is guaranteed by a structured entity SPV, Volks Covered Bond Company BV ('CBC'). To enable CBC to fulfil its guarantee, de Volksbank legally transferred Dutch mortgage loans originated by de Volksbank to CBC. Furthermore, de Volksbank offers protection against the deterioration of the mortgage loans. CBC is fully consolidated by de Volksbank.

With regards to the covered bond programme, de Volksbank undertakes at the request of CBC to offer to transfer eligible assets to CBC, provided that CBC shall only request a transfer of eligible assets if it determines that the Asset Cover Test has been breached. The Asset Cover Test is an arithmetic test that determines the minimum amount of assets needed to cover the liabilities guaranteed by CBC.

Certificates of deposit

Certificates of deposit are debt securities with a fixed interest rate and a short-term maturity. At the end of 2022, de Volksbank issued € 100 million (2021: € 200 million) in Certificates of deposit.

Securitisation programmes

De Volksbank entered into securitisation programmes to obtain funding and to improve liquidity. Within these programmes de Volksbank sells mortgage receivables originated by itself to a SPV. The SPV issues securitised notes which are eligible collateral for the ECB. In most programmes, de Volksbank acts as investor of the securitised notes. As the SPVs are set up for the benefit of de Volksbank and there is limited transfer of risks and rewards, de Volksbank continues to consolidate the SPVs.

Debt certificates issued under Pearl and Lowland securitisation programmes

De Volksbank has securitised part of its mortgage loans. In these securitisation transactions, the economic ownership of mortgage loans is transferred to separate companies. These loans were transferred at nominal value plus a deferred purchase price. A positive result within the SPV's leads to the creation of a positive value of the deferred purchase price. De Volksbank thus retains an economic interest in these companies. On the basis of this economic interest and other criteria established by IFRS for dominant control, de Volksbank has these companies fully consolidated in the financial statements.

Securitisation transactions have a so-called call + step-up structure. This means that after a specific call date, the company will have the right to redeem the bonds early. Additionally, at this specific date, the coupon on the bonds will be subject to a rise in interest rate (step-up). Under normal market conditions, this will create an economic incentive to redeem the bonds early. An overview of the securitisations as at 31 December is provided below:

Overview debt certificates issued under Pearl and Lowland securitisation programmes

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

At year-end 2022, de Volksbank held securitisation programme bonds on its own book at an amortised cost of € 7.6 billion (2021: € 11.2 billion).

Part of the senior tranches of Pearl 1 and Lowland 5 and 6 are held for own account and qualify as eligible assets at the ECB.

15 Subordinated debts

ACCOUNTING POLICY FOR SUBORDINATED DEBTS
Subordinated debt is measured at fair value upon initial recognition, which ordinarily corresponds to the proceeds net of the transaction costs incurred. Subsequently, these instruments are measured at amortised cost, using the effective interest method.

The subordinated debts of de Volksbank form part of the eligible own funds, which are used in determining the solvency position of de Volksbank.

Statement of changes subordinated debts

in € millions	2022	2021
Opening balance	500	500
Issues	--	--
Redemptions	--	--
Revaluations	--	--
Movement in accrued interest	--	--
Closing balance	**500**	**500**

The (Tier 2) bonds have a book value of € 500 million (2021: € 500 million) and relate to a green Tier 2 capital instrument for a total amount of € 500 million issued in 2020. These bonds, with a maturity of 10.25 years and a fixed coupon rate of 1.75%, have a call option during a 6-month period starting on 22 July 2025.

16 Provisions

ACCOUNTING POLICY FOR PROVISIONS

General

Provisions are made if de Volksbank has a present obligation, legally or constructive, arising from events in the past, and to which it is more likely than not that the settlement of the obligation requires an outflow of assets, and for which a reliable estimate of the size of the obligation can be made. Provisions are measured at the present value of the expected future cashflows. Additions and any subsequent releases are recorded in the related line item in the income statement.

Provision for employee benefits

De Volksbank recognises a provision for pension obligations and other employee commitments including various forms of employee benefit plans such as health insurance, savings, mortgages and jubilee benefits schemes. The measurement is based on the net present value taking into account actuarial assumptions.

Restructuring provision

The restructuring provision is a specific provision that consists of anticipated severance payments and other costs that are directly related to restructuring programmes. These costs are accounted for in the period in which a legally enforceable or constructive obligation to make the payment arises. No provision is formed for costs or future operating losses stemming from continuing operations.

De Volksbank recognises severance payments if de Volksbank has demonstrably committed itself, to:

- the termination of the employment contracts of current employees in accordance with an announced detailed formal plan without the option of the plan being withdrawn; or
- the payment of severance payments as a result of an offer to encourage voluntary redundancy that cannot be withdrawn. Severance payments that are due after more than twelve months after the balance sheet date are discounted.

Other provisions

Other provisions include legal provisions. De Volksbank recognises a provision for legal proceedings at the balance sheet date for the estimated liability. The provision comprises an estimate of the payments due during the course of the legal proceedings. Where relevant, any possible external coverage of the legal claim will result in the recognition of an asset if and when payment to de Volksbank becomes virtually certain.

Provisions

in € millions	2022	2021
Employee commitments	12	14
Restructuring provision	13	53
Other provisions	27	22
Provision for credit losses off-balance sheet items	14	13
Total	**66**	**102**

For a more detailed explanation of the main pending legal proceedings against de Volksbank see Note 21 Legal proceedings.

At year-end 2021, the restructuring provision in relation to the agile way or working amounted to € 48 million. The organisation is in the process of being structured differently and transitioning into a uniform and agile way of working. This approach results in more efficient collaboration and a flatter organisation.
At year-end 2022, the restructuring provision was reassessed resulting in a release of € 23 million. This release is the result of a rapidly changing regulatory environment, which requires additional professional expertise and capacity within the bank, compared to the assumptions made in the initial restructuring plan drawn up in 2020. The envisaged reduction in existing FTEs was adjusted in favour of re-employment in other vacancies mainly related to additional regulatory and compliance topics, resulting in fewer redundancies.
During the year € 17 million of this provision has been used. The remaining restructuring provision at year-end 2022 amounted to € 13 million.

Employee commitments and other provisions are predominantly long-term in nature.

Other provisions increased mainly due to the provision for compensation of customers with a revolving consumer credit and customers with overdraft facilities, which amounts to a total of € 20 million.
In 2021, there were various rulings on the interpretations and use of variable interest clauses in revolving credits for consumer loans and mortgage products at other Dutch banks. The conclusion was that customers may expect the interest rate on their revolving consumer loans to remain in line with the relevant market interest rate during the term of a loan. Therefore, in 2021, de Volksbank provisioned € 15 million for the compensation scheme for customers with a revolving consumer credit and execution costs of this scheme. In 2022, the compensation scheme and calculation methodology was further enhanced and this led to an increase of the provision to € 17 million.
Furthermore, in 2022 de Volksbank announced that it will compensate retail customers of SNS and RegioBank on their overdraft facilities in accordance to the Kifid ruling and provisioned € 3 million for this. In the coming period de Volksbank will work out the compensation scheme for overdraft facilities.

Furthermore, we recognised a provision of € 5 million with respect to compensation for interest losses due to early repayments on mortgages and we released a small amount of a provision for legal proceedings.

Statement of changes in other provisions

	Employee commitments		Restructuring provision		Other provisions		Provision for credit losses off-balance sheet items		Total	
in € millions	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Opening balance	14	14	53	52	22	9	13	5	102	80
Additions	2	3	1	6	14	16	3	1	20	26
Amounts used	-1	-2	-17	-4	-3	-2	--	--	-21	-8
Releases	-3	-1	-23	-1	-5	-1	-2	-1	-33	-4
Interest	--	--	-1	--	-1	--	--	--	-2	--
Other movements	--	--	--	--	--	--	--	8	--	8
Closing balance	**12**	**14**	**13**	**53**	**27**	**22**	**14**	**13**	**66**	**102**

Movements in the loan loss provision related to off-balance sheet items are shown the table Changes in the provision for credit losses in Section 4.3.4 Credit Risk- Figures, ratios and trends.

17 Other liabilities

ACCOUNTING POLICY FOR OTHER LIABILITIES
Other liabilities consist of other taxes, other liabilities and lease liabilities. Other taxes are recognised at nominal value. Other liabilities are recognised at amortised cost.

Other liabilities

in € millions	2022	2021
Other taxes	17	16
Other	70	94
Accruals	315	215
Lease liabilities	50	57
Total	**452**	**382**

For the accounting principles and a more detailed explanation to the lease liabilities, see Note 18 Lease contracts.

Other mainly relates to amounts payable to customers and suppliers.

18 Lease contracts

A lease contract exists if control over the use of an identified asset for a certain period has been obtained in exchange for consideration. The main lease contracts entered into by de Volksbank concern property leases.

De Volksbank recognises a lease liability if it has control over the underlying asset. The lease obligation is valued at the present value of the lease payments that have not yet been made at that time. Because the implicit interest rate of the lease contracts cannot be easily determined, the marginal interest rate of de Volksbank is used. The lease payments are discounted using this marginal interest rate. During the term of a contract, the lease liability is increased with accrued interest and reduced by lease payments. The lease liability is adjusted for indexations of the lease payments, any changes to the contract or a modified estimate of any extension or termination options.

The right-of-use asset is measured at cost minus cumulative depreciation and impairment. The processed lease payments, initial direct costs and advance payments form part of the cost price. Any corrections to the lease liability are accordingly processed in the right-of-use asset. The right-of-use asset is depreciated on a straight-line basis over the remaining duration of the contract.

Lease contracts for buildings are usually entered into for a contractual period of 5 years. Extension and termination options that are outside the 5-year period are not included in the determination of the lease liability, because there is no reasonable certainty that instalments outside this period will be effected.

De Volksbank uses the option not to include short-term lease contracts and low-value lease contracts on the balance sheet, but to include them in the result as an expense.

SUBLEASES

A number of store locations are subleased to franchisees. In addition, part of the head office is sublet to third parties. As substantially all of the risks and rewards associated with the right to use the underlying asset have been transferred to the sublessee, they are qualified as finance sublease contracts. A net investment in the lease is recognised as a receivable in Other assets.

Statement of changes in right-of-use assets related to lease contracts

in € millions	2022	2021
Opening balance	44	63
Additions	6	6
Net investment in sublease	-2	-15
Depreciation expense	-10	-10
Impairments	--	--
Closing balance	**38**	**44**

Statement of changes in lease liabilities

in € millions	2022	2021
Opening balance	57	65
Additions	7	6
Interest expenses	1	1
Lease payments	-15	-15
Closing balance	**50**	**57**

Expenses relating to short-term lease contracts and expenses relating to low-value assets both were nil (2021 nil).
The total cash flow from leases during the financial year amounted to € 14 million (2021: € 14 million).
For an overview of the future cash flows from lease contracts, refer to the table Remaining contractual maturity of assets and liabilities in Section 4.6.5 Funding strategy.
Income from property sublease amounts to € 0.4 million (2021: € 0.5 million).

Future lease payments to be received

in € millions	2022	2021
1 year	4	4
2 years	4	4
3 years	3	3
4 years	1	2
5 years	--	1
> 5 years	--	--
Total	**12**	14
Unearned finance income	--	--
Total net investment in the lease	**12**	**14**

19 Equity

SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

Share capital
The issued share capital is fully paid up and comprises of ordinary shares.

Fair value reserve
The fair value reserve includes the gains and losses, net of tax, resulting from a change in the fair value of debt instruments measured at FVOCI. When the instruments are sold or otherwise disposed of, the related cumulative gain or loss recognised in equity is recycled to the income statement.

Cash flow hedging reserve
The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of taxes, that are recycled to the income statement if the hedged transactions have an impact on profit or loss.

Other reserves
Other reserves mainly comprise retained earnings and profit for the period.

Dividends
Dividends on ordinary shares classified as equity are recognised as a distribution of equity in the period in which they are approved by shareholders.

AT1 capital securities
Undated, deeply subordinated, resettable, callable capital securities are classified as Additional Tier 1 (AT1) capital, under total equity.

Share capital
The issued share capital is fully paid up and comprises 840,008 ordinary shares with a nominal value of € 453.79 per share.

Reserves in equity
The share premium reserve did not change during the year.

The cashflow hedge reserve decreased slightly by € 2 million (2021: € 3 million).

The fair value reserve fell by € 157 million due to increased interest rates, which led to a decrease in the value of the debt securities measured at fair value through OCI.

The other reserves including retained earnings increased due to result appropriation of the previous year by € 65 million (2021: € 70 million). This was partly offset by the interest paid on AT 1 capital securities in the amount of € 11 million (2021: nil).

AT1 capital securities
Undated, deeply subordinated, resettable, callable capital securities are classified as Additional Tier 1 (AT1) capital, under total equity. In June 2022, de Volksbank issued its first AT1 notes. The perpetual callable AT1 notes amounted to € 298 million (nominal value: € 300 million) and have a coupon rate of 7.00% up to the first reset date on 15 December 2027.

Dividend
Earnings per share are calculated by dividing the (proposed) dividend by the outstanding ordinary shares. The Executive Board of de Volksbank proposes to pay out a dividend of € 90 million (2021: € 97 million) to its shareholder NLFI. The proposed dividend per share is € 107 (2021: € 115).

In 2022 a final dividend payment of € 97 million (2021: € 104 million) was paid to its shareholder NLFI related to the previous financial year. This came down to a dividend per share of € 115 (2021: € 124).

Non-controlling interest
On 1 September 2021, de Volksbank completed the acquisition of 90% of the shares of the property valuation platform Fitrex B.V. The remaining 10% shares of Fitrex are recorded as a non-controlling interest and amounted to € 0.2 million at year-end 2022.

20 Contingent liabilities and commitments

ACCOUNTING POLICY FOR CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities
A contingent liability is a possible obligation that arises from past events and its existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of de Volksbank. A contingent liability may also be a present obligation that arises from past events but is not recognised because it is either not probable that an outflow of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the statement of financial position, but are disclosed in the notes unless the possibility of the outflow of economic benefits is remote.

Financial guarantee contracts
A financial guarantee contract requires de Volksbank to make specified payments to the holder if certain conditions are met. The holder of the contract is reimbursed for a loss it incurs if a specified debtor fails to make payment when due under the original or modified terms of a debt instrument.

Loan commitment
Loan commitments are commitments to provide credit under pre-specified terms and conditions. The amounts shown in the table for guarantees and commitments represent the maximum amount de Volksbank is exposed to if the contract parties completely fail to perform as agreed. The 'nominal amount' best represents the bank's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements.

Impairment losses for off-balance sheet items
Impairment losses for off-balance sheet items such as loan commitments and financial guarantee contracts are recognised in the line item 16 Provisions. For further information on impairment losses, please refer to Note 7 Loans and advances to customers.

Commitments and guarantees

Commitments and guarantees

in € millions	2022	2021
Financial guarantees given	5	11
Loan commitments given	2,204	2,533
Of which: Deposit Guarantee Fund	*300*	*300*
Other commitments	431	509
Of which: repurchase commitments	*394*	*464*
Of which: irrevocable IT contracts	*37*	*45*
Total	**2,640**	**3,053**

Financial guarantees given
De Volksbank provides financial guarantees to guarantee customers' performance to third parties.

Loan commitments given
The loan commitments given mainly consist of credit facilities pledged to customers, but against which no claim has yet been made, such as unused portions of irrevocable credit facilities granted to SME and corporate customers, new loan offers, approved but undrawn loans, revolving, underwriting facilities and home construction accounts. These facilities are pledged for a fixed term and at a variable interest rate. Collateral has been secured for a part of the credit facilities.

Other commitments given
Some of the collateralised loans and advances of € 315 million (2021: € 368 million) were sold in the past by a legal predecessor of de Volksbank. This sales transaction entails that, as a legal successor, de Volksbank has a repurchase obligation on the interest repricing date and/or is obliged to convert the form of repayment of the loans and advances. The repurchase price is equal to the outstanding principal adjusted for accrued savings capital intended for mortgage repayments.

In addition, de Volksbank and SRLEV agreed in 2015 that de Volksbank would (re)purchase a mortgage portfolio from SRLEV. The value of the mortgage portfolio to be repurchased was € 79 million as at 31 December 2021 (2021: € 96 million). The mortgages are repurchased on a monthly basis if a loan component meets certain conditions, such as interest repricing date and the conversion of the form of redemption. The repurchase price is equal to the outstanding principal adjusted for accrued savings capital that is intended for mortgage repayments.

Future commitments

De Volksbank concluded some large long-term IT support contracts in the amount of € 37 million (2021: € 45 million).

Maturity calendar future IT commitments

in € millions	2022	2021
To be received within < 1 year	11	17
To be received within 1 - 5 years	26	28
To be received after 5 years	--	--
Total	**37**	**45**

Contingent liabilities

Customers with loans with variable interest rates

In 2021, there have been various rulings on the interpretations and use of variable interest clauses in revolving credits for consumer loans and mortgage products at other Dutch banks. The conclusion of these rulings is that customers may expect that the interest rate on their revolving loans remains in line with the relevant market interest rate during the term of a loan. For revolving consumer credits and overdraft facilities de Volksbank formed a provision. Credit cards are subject to further analysis. At the current stage, we do not have a present obligation for credit cards.

Swiss cantonal banks

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

Customer integrity

De Volksbank is determined to take all reasonable measures to prevent the bank and/or the financial system in general for money laundering and terrorist financing. We have an ongoing dialogue with DNB on this subject. As a result, we decided we need to further expand and deepen the improvement programme that started in 2020 enabling us to remediate and implement a future-proof and robust customer integrity framework. Furthermore, in 2022 DNB conducted a supervisory review within de Volksbank on customer integrity. We expect DNB findings in the first half of 2023.

21 Legal proceedings

De Volksbank and its subsidiaries are, and may from time to time become involved in legal, regulatory and/or arbitration proceedings that relate to claims by and against the bank, ensuing from its normal business operations. In presenting the Consolidated Financial Statements, management estimates the outcome of these proceedings and takes provisions when it is considered that there is a present obligation, it is probable that a cash outflow is required and the amount can be estimated with sufficient reliability. The most important proceedings are described below. For the below described legal proceedings it is not considered probable that there will be a cash outflow. As such these matters are regarded as contingencies.

MADOFF

In 2010, liquidators of three Madoff-feeder funds (the "Feeder Funds") initiated legal proceedings in New York against, amongst others, the custody entity of de Volksbank, SNS Global Custody, and its clients as former beneficial owners of investments in these funds. They claim repayment of payments made by the Feeder Funds for redemptions of investments by these beneficial owners. A similar proceeding was initiated by the liquidators against SNS Global Custody and other defendants in the British Virgin Islands (BVI), which proceedings have ended in favour of de Volksbank. In line with these lawsuits, Bernard Madoff's trustee has also initiated proceedings in New York against, amongst others, de Volksbank and SNS Global Custody.

The status of the aforementioned proceedings in New York (in which many financial institutions worldwide are sued in similar proceedings) is as follows:

- Fairfield Funds. In April 2019, the New York bankruptcy court dismissed all claims brought by the Fairfield Funds liquidators against SNS Global Custody except for claims under the BVI Insolvency Act. The Fairfield Funds liquidators have appealed that ruling to the New York district court (appeal 1). A decision by the district court is expected in the coming months. In the meantime, the Fairfield Funds liquidators have filed an amended complaint against SNS Global Custody in the New York bankruptcy court with respect to their BVI Insolvency Act claims. On 14 December 2020 the New York bankruptcy court issued a decision in favour of SNS Global Custody. Fairfield Funds liquidators have appealed to the district court against the bankruptcy court's decision (appeal 2). The district court affirmed on 24 August 2022 the bankruptcy court's dismissal of the Liquidators' claims in both appeals for the district court. The Liquidators have appealed this decision to the United States Court of Appeals for the Second Circuit.

- Madoff Trustee. In November 2016, the New York bankruptcy court issued a decision on preliminary issues that resulted in the dismissal of all claims asserted by the Madoff trustee against de Volksbank and SNS Global Custody. The Madoff trustee appealed this decision to the Second Circuit Court of Appeals, which overturned the bankruptcy court's decision in February 2019. A request by a group of defendants, including de Volksbank and SNS Global Custody, to the U.S. Supreme Court to hear an appeal of the Second Circuit's decision has been declined. The case has been referred back to the bankruptcy court for further proceedings. Briefing on the complaint before the bankruptcy court started in October 2022.
- De Volksbank defends itself in each of these proceedings. In view of the complexity of the Madoff cases and the various procedural possibilities that are still open or in the initial phase, it is not possible at this moment to make a reliable assessment as to whether de Volksbank is ultimately obliged to actually pay any amounts.

PROCEEDINGS FOLLOWING THE NATIONALISATION

General

Various former holders of the securities and capital components expropriated in 2013 have initiated legal proceedings to seek compensation for damages. At the time that the financial statements were drawn up, no court proceedings had (yet) been initiated against de Volksbank other than those stated below. Currently, it is not possible to make an estimate of the probability that possible legal proceedings of former holders or other parties affected by the nationalisation may result in a liability, or the level of the financial impact on de Volksbank. For this reason, at year-end 2022 no provisions were made in respect of possible legal actions by former holders and other affected parties.

As the outcomes of possible legal proceedings cannot be predicted with any certainty, it cannot be ruled out that a negative outcome may have a material negative financial impact on the capital position, results and/or cashflows of de Volksbank.

Inquiry proceedings by Dutch Investors' Association

In November 2014, the Dutch Investors' Association (*Vereniging van Effectenbezitters; 'VEB'*) and other investors filed a petition with the Enterprise Chamber of the Amsterdam Court of Appeal (the Enterprise Chamber) for an inquiry into the management of SNS REAAL, currently SRH, SNS Bank, currently de Volksbank, and former SNS Property Finance, currently Propertize. Other parties concerned have joined these proceedings. SRH, de Volksbank and Propertize disputed the authority to file a petition for an inquiry. The Enterprise Chamber rejected the request related to Propertize and granted (after remission by the Supreme Court) the request related to SRH and de Volksbank.

On 8 topics, the Enterprise Chamber ordered an inquiry into the management and course of events at SRH and de Volksbank for the period from 1 July 2006 until 1 February 2013. The appointed investigators' final report on the inquiry was published on 27 July 2021. On 27 September 2021, the *VEB* requested the Enterprise Chamber in a subsequent procedure to establish mismanagement ('*wanbeleid*') of SRH and de Volksbank in the period from 1 July 2006 until 1 February 2013. An oral hearing took place on 17 February 2022. The judgement of the Enterprise Chamber was delivered on 30 November 2022. The Enterprise Chamber ruled that there was no '*wanbeleid*' with regard to SRH and de Volksbank. The VEB's claims have all been rejected. The Enterprise Chamber did rule that errors were made in some areas, which is not surprising given the length of the investigation period and the extremely turbulent times. None of the parties lodged an appeal in cassation, so the decision of the Enterprise Chamber has force of judgement. The VEB is still investigating whether it will start liability proceedings. SRH and de Volksbank await developments. As such, no obligation existed at year end 31 December 2022.

Guarantees pursuant to section 2:403, Volume 2 of the Dutch Civil Code for Propertize et al.

In the context of the transfer of Propertize et al., SRH and de Volksbank have withdrawn the 403 Guarantees issued for Propertize et al. in the past. This withdrawal has become irrevocable for all creditors, with the exception of CRI (Commerz Real Investment Gesellschaft GmbH). CRI raised an objection to the withdrawal of the 403 Guarantees. This objection was declared well-founded up to the highest instance in a Supreme Court decision of 31 March 2017. In September 2020, CRI started proceedings against (i.a.) Propertize with regard to a defect air control system and estimated the claim in the first instance at € 250,000, but asked the court to assess the damages.

Other proceedings relevant to de Volksbank

In addition, there are proceedings to which de Volksbank is not a party or in which it is not the direct subject of an investigation, but of which the course and results may have a material impact on de Volksbank's position.

This is the case for the compensation proceedings against the State before the Enterprise Chamber initiated by former holders of expropriated securities and capital components of SRH and de Volksbank. Following initial proceedings leading to a Supreme Court ruling on the basic principles for the assessment of the value of the expropriated securities and capital components, the Enterprise Chamber appointed three experts. The experts presented their first report on 27 April 2018. Following comments from the parties to the proceedings and a new ruling by the Enterprise Chamber, the experts produced an additional report in September 2019. Parties to the proceedings were entitled to respond to this report until the beginning of November 2019 at the latest, after which the experts filed their final report on 21 November 2019 with the Enterprise Chamber. The judgement was given on 11 February 2021. The Enterprise Chamber assessed the compensation (in total) at € 804,810,000. On 11 May 2021, the State lodged an appeal in cassation with the Supreme Court. The Advocate General gave his advice to the Supreme Court on 8 July 2022. He advised to maintain the judgement of the Enterprise Chamber of 11 February 2021. The expected date of the judgement of the Supreme Court is 10 March 2023. The position of subordinated creditors of SRH and de Volksbank will be clear after the judgement in last instance is given. The State – in case payment will have to be made to expropriated share-and bondholders – will have to pay the parties. There are no indications of legal grounds on which the claim will or could be transferred to de Volksbank. As such, no obligation existed at year end 31 December 2022.

22 Specific disclosures of financial instruments

ACCOUNTING POLICY FOR FAIR VALUE FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities is determined on the basis of quoted prices where available. Such quoted prices are primarily derived from transaction prices for listed instruments. If quoted prices are not available, market prices from independent market participants or other experts are used. De Volksbank applies an exit price when determining fair value, therefore financial assets are recognised at their bid prices and financial liabilities at their offer prices.

In markets where activity has decreased or in inactive markets, the range of prices from different sources can be significant for a certain financial instrument. Selecting the most appropriate price requires management judgement.

For certain financial assets and liabilities, no market price is available. The fair value of these financial assets and liabilities is determined using valuation techniques, which may vary from discounted cashflow calculation to valuation models that use generally accepted economic methodologies. Observable market information, where available, is used as input for the valuation models. All valuation methods used are assessed and approved in-house according to de Volksbank's governance procedures.

De Volksbank determines the fair value hierarchy for all financial instruments at each reporting moment.

NOTES TO THE VALUATION OF FINANCIAL ASSETS AND LIABILITIES

The following techniques and assumptions have been used to determine the fair value of financial instruments.

Investments

The fair values of shares are based on quoted prices in active markets or other available market data. The fair values of interest-bearing securities, excluding mortgage loans, are also based on quoted market prices or, when actively quoted market prices are not available, on the present value of expected future cashflows. These present values are based on the relevant market interest rate, taking account of the liquidity, creditworthiness and maturity of the relevant investment.

Loans and advances to customers

The fair value of mortgages is determined on the basis of a present value method. The yield curve used to determine the present value of expected cashflows of mortgage loans is the average of the five lowest mortgage rates in the market, adjusted for interest rates that are considered not to be representative ('teaser rates'). These rates may differ for each sub-portfolio due to differences in maturity, Loan-to-Value class and form of repayment. In determining the expected cashflows, any expected future early redemptions are taken into account.

The fair value of other loans and advances to customers has been determined by the present value of the expected future cashflows. Various surcharges on the yield curve were used for the calculation of the present value. In this respect, a distinction was made by type of loan and customer group to which the loan relates.

Derivatives
The fair values of nearly all derivatives are based on observable market information, such as market rates and foreign exchange rates. To determine the fair value of instruments for which not all information is observable in the market, estimates or assumptions are used within a net discounted cashflow model or an option valuation model. In determining the fair value, the credit risk that a market participant would include in his valuation is taken into account.

Loans and advances to banks
Given the short-term nature of the loans that are classified as loans and advances to banks, the book value is considered to be a reasonable approximation of the fair value.

Other assets
Because of the predominantly short-term nature of other assets, the book value is considered to be a reasonable approximation of the fair value.

Cash and cash equivalents
The book value of the cash and cash equivalents is considered to be a reasonable approximation of the fair value.

Subordinated debt
The fair values of subordinated debt are based on quoted prices in active markets or other available market data.

Debt certificates
The fair values of debt certificates are based on quoted prices in active markets or other available market data. When actively quoted market prices are not available, the fair value of debt certificates is estimated on the basis of the present value of the cashflows, making use of the prevailing interest rate plus a risk surcharge. The risk surcharge is based on the credit risk assumed by the market for holding such instruments issued by de Volksbank, determined by maturity and type of instrument.

Amounts due to customers
The fair value of readily available savings and term deposits differs from the nominal value because the interest is not adjusted on a daily basis and because, in practice, customers leave their savings in their accounts for a longer period of time. The fair value of these deposits is calculated based on the net present value of the relevant portfolios' cashflows using a specific discount curve. For savings covered by the Deposit Guarantee Scheme (DGS), the discount curve is based on the average current rates of several Dutch market parties. De Volksbank's Funds Price-curve (FTP) was used for savings not covered by the DGS. The calculated fair value of amounts due to customers with a demand feature cannot be less than the amount payable on demand.

Amounts due to banks
The fair value of amounts due to banks is estimated on the basis of the present value of the expected future cashflows, using the interest rate plus a risk surcharge. The risk surcharge is based on the credit risk assumed by the market for holding such instruments issued by de Volksbank, differentiated to maturity and type of instrument. The book value of any amount due within one month is considered to be a reasonable approximation of the fair value.

Other liabilities
The book value of other liabilities is considered to be a reasonable approximation of its fair value.

HIERARCHY IN DETERMINING THE FAIR VALUE OF FINANCIAL INSTRUMENTS
A part of the financial instruments is measured in the balance sheet at fair value. In addition, the fair value of the other financial instruments is disclosed. The fair value level classification is not disclosed for financial assets and liabilities where the book value is a reasonable approximation of the fair value.

More detailed explanation of the level classification
For financial instruments measured at fair value on the balance sheet or for which the fair value is disclosed, this fair value is classified into a level. This level depends on the parameters used to determine the fair value and provides further insight into the valuation. The levels are explained below:

Level 1 – Fair value based on published stock prices in an active market
For all financial instruments in this valuation category, stock prices are observable and publicly available from stock exchanges, brokers or pricing institutions. In addition, these financial instruments are traded on an active market, which allows for the stock prices to accurately reflect current and regularly recurring market

transactions between independent parties. The investments in this category mainly include listed shares and bonds.

Level 2 – Fair value based on observable market data
The category includes financial instruments for which no quoted prices are available but whose fair value is determined using models where the parameters include available market information. These instruments mostly contain privately negotiated derivatives. This category also includes investments for which prices have been issued by brokers, but which are also subject to inactive markets. In that case, the available prices are largely supported and validated using market information, including market rates and actual risk surcharges related to different credit ratings and sector classifications.

Level 3 – Fair value not based on observable market data
A significant part of the financial instruments in this category has been determined using assumptions and parameters that are not observable in the market, such as assumed default rates belonging to certain ratings. The level 3 valuations of investments (shares) are based on quotes from illiquid markets. The derivatives in level 3 are related to some mortgage securitisations and the valuation is partly dependent on the underlying mortgage portfolios and movements in risk spreads.

Hierarchy financial assets and liabilities 31 December 2022

in € millions	Book value	Level 1	Level 2	Level 3	Total fair value
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Derivatives	3,302	--	3,293	9	3,302
Investments - fair value through OCI	2,806	2,803	--	3	2,806
Investments - fair value through P&L	34	25	--	9	34
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE					
Cash and cash equivalents	8,011	--	--	--	8,011
Investments - amortised costs	2,751	2,495	201	8	2,704
Loans and advances to banks	6,884	--	--	--	6,884
Loans and advances to customers	48,966	--	--	44,386	44,386
Other assets	249	--	--	--	249
Total financial assets	**73,003**	**5,323**	**3,494**	**44,415**	**68,376**
Financial liabilities measured at fair value					
Derivatives	924	--	915	9	924
Amounts due to banks	232	--	232	--	232
Financial liabilities not measured at fair value					
Savings	44,501	--	42,054	2,277	44,331
Other amounts due to customers	12,649	--	11,266	1,308	12,574
Amounts due to banks	2,573	--	2,573	--	2,573
Debt certificates	7,544	--	--	6,305	6,305
Other liabilities	452	--	--	--	452
Subordinated debts	500	453	--	--	453
Total financial liabilities	**69,375**	**453**	**57,040**	**9,899**	**67,844**

The table provides information on the fair value of the financial assets and liabilities of de Volksbank. For a number of fair value measurements estimates have been used. This table only includes financial assets and liabilities. Balance sheet items that do not meet the definition of a financial asset or liability are not included. The total of the fair value presented above does not reflect the underlying value of de Volksbank and should, therefore, not be interpreted as such.

Hierarchy financial assets and liabilities 31 December 2021

in € millions	Book value	Level 1	Level 2	Level 3	Total fair value
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Derivatives	591	--	567	24	591
Investments - fair value through OCI	2,335	2,330	--	5	2,335
Investments - fair value through P&L	8	--	--	8	8
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE					
Cash and cash equivalents	10,305	--	--	--	10,305
Investments - amortised costs	3,295	3,229	90	8	3,327
Loans and advances to banks	4,527	--	--	--	4,527
Loans and advances to customers	50,570	--	--	53,417	53,417
Other assets	318	--	--	--	318
Total financial assets	**71,949**	**5,559**	**657**	**53,462**	**74,828**
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Derivatives	1,013	--	989	24	1,013
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE					
Savings	45,681	--	43,892	2,150	46,042
Other amounts due to customers	12,447	--	11,032	1,443	12,475
Amounts due to banks	1,059	--	1,059	--	1,059
Debt certificates	7,402	--	--	7,571	7,571
Other liabilities	382	--	--	--	382
Subordinated debts	500	518	--	--	518
Total financial liabilities	**68,484**	**518**	**56,972**	**11,188**	**69,060**

The fair values represent the amounts at which the financial instruments could have been sold or transferred at balance sheet date between market parties in an orderly transaction. The fair value of financial assets and liabilities is based on quoted market prices, where observable. If actively quoted market prices are not available, various valuation techniques have been used to measure the fair value of these instruments. Parameters used in such valuation techniques may be subjective and are based on various assumptions, for instance certain discount rates and the timing and size of expected future cashflows. The degree of subjectivity affects the fair value hierarchy, which is discussed in the beginning of the paragraph. Wherever possible and available, the valuation techniques make use of observable inputs in relevant markets. Changes in the assumptions can significantly influence the estimated fair values. The main assumptions for each balance sheet item are explained in the section below.

Change in level 3 financial instruments 2022

in € millions	Fair value through P&L	Fair value through OCI	Derivatives assets	Derivatives liabilities
Opening balance	8	5	24	24
Purchases/advances	--	--	--	--
Revaluations	1	--	--	--
Unrealised gains or losses recognised in P&L[1]	--	--	-34	-34
Change accrued interest	--	--	-1	-1
Other movements	--	--	20	20
Impairment	--	-2	--	--
Closing balance	**9**	**3**	**9**	**9**

1 These are included in the line item Result on financial instruments.

Change in level 3 financial instruments 2021

in € millions	Fair value through P&L	Fair value through OCI	Derivatives assets	Derivatives liabilities
Opening balance	6	4	37	37
Purchases/advances	1	2	--	--
Revaluations	--	--	--	--
Unrealised gains or losses recognised in P&L[1]	1	--	-13	-13
Impairment	--	-1	--	--
Closing balance	**8**	**5**	**24**	**24**

1 These are included in the line item Result on financial instruments.

Breakdown level 3 financial instruments

in € millions	2022	2021
Equity securities	12	13
Derivatives	9	24
Total assets	**21**	**37**
Derivatives	9	24
Total liabilities	**9**	**24**

SENSITIVITY OF LEVEL 3 VALUATIONS OF FINANCIAL INSTRUMENTS

Level 3 financial instruments are largely valued using a net discounted cashflow method in which expectations and projections of future cashflows are discounted to a present value on the basis of market data. The models use market observable information, such as yield curves, or information that is not observable in the market, such as assumptions about certain credit risk surcharges or assumptions about customer behaviour. The valuation of a level 3 instrument may change significantly as a result of changes in these assumptions.

Sensitivity non-market observable parameters financial instruments level 3 2022

in € millions	Valuation technique	Main assumption	Carrying value	Reasonably possible alternative assumptions	Increase in fair value	Decrease in fair value
ASSETS						
Derivatives	Discounted cashflow	Discount curve	9	-0,5% of +0,5%	1	1
		Pre-payment rate	9	-1% of +1%	--	--
LIABILITIES						
Derivatives	Discounted cashflow	Discount curve	9	-0,5% of +0,5%	1	1
		Pre-payment rate	9	-1% of +1%	1	1

Sensitivity non-market observable parameters financial instruments level 3 2021

in € millions	Valuation technique	Main assumption	Carrying value	Reasonably possible alternative assumptions	Increase in fair value	Decrease in fair value
ASSETS						
Derivatives	Discounted cashflow	Discount curve	24	-0,5% of +0,5%	1	1
		Pre-payment rate	24	-1% of +1%	1	1
LIABILITIES						
Derivatives	Discounted cashflow	Discount curve	24	-0,5% of +0,5%	1	1
		Pre-payment rate	24	-1% of +1%	1	1

The derivatives on the liabilities side of the balance sheet include certain contracts in which fixed pre-payment rates have been agreed with the counterparty. Therefore, these contracts are not sensitive to adjustments. The main non-market observable parameters for determining the fair value of level 3 instruments are the applied estimate of early redemptions and the discount curve.

The level 3 derivatives relate to securitisation transactions. Here there is a relationship between the fair values. This is due to the fact that the derivatives of the SPVs (front swaps), which are part of the securitisation programme Pearl, are entered into back-to-back with the same counterparties (back swaps). As a result, the fair value changes of the front and back swaps are always comparable, but opposite.

TRANSFERS BETWEEN CATEGORIES

No significant movements occurred in 2021 and 2022.

23 Related parties

Identity of related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. As a part of its ordinary business operations, de Volksbank maintains various forms of ordinary business relationships with related companies and parties. Related parties of de Volksbank are associated companies, joint ventures, SNS REAAL Pensioenfonds, *Stichting administratiekantoor beheer financiële instellingen* (NLFI), the Dutch State and senior executives and their close family members. Transactions with these related parties mainly concern day-to-day matters in the field of banking, taxation and other administration.

Transactions with related parties have been conducted under normal market terms and conditions, except where stated otherwise. In the transactions with related parties, best practices provisions 2.7.2, 2.7.3, 2.7.4, 2.7.5 and 2.7.6 of the Dutch Corporate Governance Code were complied with best practice.

Positions and transactions with related parties

FISCAL UNITY

De Volksbank and its subsidiaries and/or group companies formed a fiscal unity for corporate income tax and VAT purposes. All companies within this single tax entity are jointly and severally liable for corporate income tax debts and VAT debts stemming from the relevant tax entities.

For more information on the current corporate income tax recovarables and payables, reference is made to Note 9 Tax assets and liabilities of the consolidated financial statements.

OTHER TRANSACTIONS

De Volksbank pays pension premiums for its employees to the SNS REAAL pension fund in the amount of € 42 million (2021: € 42 million).

Positions and transactions with managers in key positions

In 2022 de Volksbank's top management consists of the Executive Committee (ExCo). The ExCo consist of four statutory Executive Board members, under the Articles of Association ('*statutaire Directie*'), and three non-statutory Senior Executives ('*niet-statutair lid*').
During 2022, one Executive Board member resigned, one Executive Board member was appointed and three Senior Executives were appointed. At the end of 2022, seven persons were regarded as managers in key positions (year-end 2021: 4 persons).

Remuneration managers in key positions

	Statutory		Non-statutory		Total	
in € thousands	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Fixed annual income	1,457	1,563	516	--	1,973	1,563
Pension contribution	79	85	36	--	115	85
Severance payments	315[1]	--	--	--	315	--
Total	**1,851**	**1,648**	**552**	**--**	**2,403**	**1,648**

1 Court-ordered amount of fair compensation, transition compensation and pay for any untaken statutory holiday entitlements of a member of the Board who had left in 2021.

Fixed annual income includes all remuneration components paid by the employer with the exception of the pension contribution and severance payments presented separately in the table.

Pension contribution means the pension contribution paid by the employer, after deduction of the contribution paid by the employee. Extra payments to compensate for the loss of pension exceeding € 114,866 are included in the table under fixed annual income.

On 31 December 2022, no loans granted to managers in key positions were outstanding.

The remuneration of individual members of the Executive Committee and members of the Supervisory Board are explained in more detail in the tables in Section 3.4 Remuneration report.

Subsidiaries of de Volksbank N.V.

Overview subsidiaries of de Volksbank N.V.

	Place of business	Proportion of ordinary shares
Ecosystemen B.V.	Utrecht	100%
ASN Beleggingsinstellingen Beheer B.V.	The Hague	100%
Stichting Administratiekantoor Bewaarbedrijven SNS	Utrecht	100%
SNS Global Custody B.V.	Utrecht	100%
Pettelaar Effectenbewaarbedrijf N.V.	Utrecht	100%
ASN Duurzame Deelnemingen N.V.	Utrecht	100%
Fitrex B.V.	Amsterdam	90%

The above mentioned subsidiaries are consolidated in the consolidated financial statements of de Volksbank.

Consolidated structured entities

According to IFRS standards, the structured entities over which de Volksbank can exercise control are consolidated. De Volksbank's activities involving structured entities are broken down into the following categories:

- Securitisation programme
- Covered bond programme

De Volksbank does not have a contractual obligation to provide financial support other than liquidity facilities to its consolidated structured entities. Neither of the consolidated structured entities have taken benefit of the liquidity facilities, nor has de Volksbank provided voluntary non-contractual financial support to the Loan Loss Provision (LLP) over the reported periods.

	Place of business	Proportion of ordinary shares
PEARL Mortgage Backed Securities 1 B.V.	Amsterdam	0%
Lowland Mortgage Backed Securities 4 B.V.	Amsterdam	0%
Lowland Mortgage Backed Securities 5 B.V.	Amsterdam	0%
Lowland Mortgage Backed Securities 6 B.V.	Amsterdam	0%
Volks Covered Bond Company B.V.	Amsterdam	0%

For more information on the consolidated structured entities, see Note 14 Debt certificates.

24 Transferred and encumbered assets

ACCOUNTING POLICY FOR TRANSFERRED AND ENCUMBERED ASSSETS
Transferred financial assets are transactions for which de Volksbank has:
- transferred the contractual rights to receive the cashflows of the financial asset to a third party or parties, or;
- retained the contractual rights to receive the cashflows of that financial asset, but assumes a contractual obligation to pay the cashflows to a third party or parties.

Depending on additional circumstances regarding the transfer of risks and rewards, the transfer of the cash flows may either result in the financial assets being derecognised or in financial assets that continue to be recognised on the balance sheet. If transferred financial assets continue to be recognised on the balance sheet, de Volksbank is still exposed to changes in the fair value of the assets.

Encumbered assets are assets that can be used as collateral for funding, for example mortgages used as collateral for covered bond programs, securitised assets and collateral for certain repurchase agreement (repo) transactions. In addition, the mandatory cash reserve is also included in encumbered assets. Assets that are committed to undrawn credit facilities are not regarded as encumbered, for example, securitisation notes held by the bank itself which qualify as eligible collateral for the European Central Bank.

The following table shows the transferred assets from which the contractual rights to receive a cashflow have been transferred. The transferred assets mainly consist of securitised mortgages that have been transferred to a third party. The related liabilities are also presented in this table. The structured entities for the securitisations are consolidated. In all these cases the transfer of contractual rights to receive a cashflow did not result in the transfer of risks and rewards. Therefore, the assets continue to be recognised on the consolidated balance sheet.

Transferred assets

	Securitisations		Repurchase transactions	
in € millions	**2022**	**2021**	**2022**	**2021**
TRANSFERRED ASSETS				
Debt securities	--	--	225	--
Loans and advances	329	396	7	--
Total transferred assets as per year-end	**329**	**396**	**232**	**--**
Amounts due to banks	--	--	--	--
Debt certificates	278	344	232	--
- Issued under securitisation programme Pearl	278	344	--	--
Total transferred liabilities as per year-end	**278**	**344**	**232**	**--**

For more information, see Note 14 Debt certificates - Medium Term Notes and 14 Debt certificates - Securitisation programmes of the consolidated financial statements.

Encumbered assets

in € millions	Covered bonds and securitisations	Derivatives	Repurchase agreements	Other	Central banks	Total 2022	Covered bonds and securitisations	Derivatives	Repurchase agreements	Other	Central banks	Total 2021
Cash and cash equivalents	--	--	--	8	--	8	--	--	--	-	16	16
Investments - debt securities	--	396	232	125	--	753	--	376	--	167	--	543
Loans and advances to banks	--	700	--	528[1]	--	1,228	--	593	--	511[1]	--	1,104
Loans and advances to customers	5,232	--	--	1,710[2]	--	6,942	5,027	--	--	1,801[2]	840	7,668
Total encumbered assets	**5,232**	**1,096**	**232**	**2,371**	**--**	**8,931**	**5,027**	**969**	**--**	**2,479**	**856**	**9,331**

1 Consists of the mandatory cash reserve at DNB.

2 Pledged to savings premiums received in savings mortgage arrangement for € 1,202 million (2021: € 1,297 million).

The encumbered assets consist of the assets put up as collateral and the mandatory cash reserve at DNB. The encumbered assets are shown at book value at the end of the year. On the balance sheet date, there were no significant restrictions accompanying financial assets from minority interests.

25 Post balance sheet events

On 28 February 2023, de Volksbank successfully issued € 0.5 billion of green senior non-preferred notes with a maturity of seven years to further strengthen our MREL position.

There were no other material post balance sheet events that could require disclosure or adjustment to the 31 December 2022 financial statements.

26 Net interest income

ACCOUNTING POLICY FOR NET INTEREST INCOME

Interest income

Interest income comprises interest income on financial assets that is attributable to the period. Interest on financial assets is almost completely accounted for using the effective interest method. A limited part of the interest income relates to financial assets, mainly derivatives in a hedge relationship and trading positions, measured at fair value through profit or loss and is recognised based on nominal interest rates.

The effective interest method is based on the estimated future cash flows, taking into account the risk of early redemption of the financial instruments and the direct costs and income, such as the transaction costs charged, brokerage fees and discounts or premiums. If the risk of early redemption cannot be reliably determined, de Volksbank calculates the cash flows over the full contractual term of the financial instruments.

Commitment fees, together with the related direct costs, are included in the net interest income and accounted for using the effective interest method.

For credit-impaired assets valued at amortised cost, i.e. less any impairment losses, interest income consists of the time value of money.

Interest expenses

Interest expenses comprise interest expenses arising from financial liabilities. Interest expenses on financial liabilities that are valued at amortised cost are accounted for using the effective interest method, whereas interest expenses on financial liabilities that are classified at fair value through profit or loss are accounted for based on nominal interest rates.

Net interest income

in € millions	2022	2021
Interest income	1,128	1,043
Interest expenses	277	268
Net interest income	**851**	**775**

Net interest income increased by € 76 million to € 851 million (+10%) and the net interest margin rose to 1.15% (2021: 1.11%). Both increases were mainly driven by the more favourable interest rate environment in the second half of 2022. As a result of rising interest rates, the interest on liquidities deposited with financial institutions, such as the ECB, went up, showing a swing from interest paid to interest received. In addition, interest income on our investment portfolio increased, while expenses to hedge our interest rate risk decreased.

Interest expenses on savings also went down slightly. Until 1 October 2022, our brands charged 0.5% interest per year on that part of the balance that exceeded € 100,000, due to the low and negative interest rates on financial markets. As from 1 October 2022, we no longer charged negative interest rates and as from 1 December 2022 our brands started offering a positive savings rate. In 2022, savings deposits at de Volksbank decreased by € 1.1 billion to € 44.5 billion, mainly driven by the changed interest rate environment and the introduction of a monthly fee for the basic banking package. In a market in which household savings grew, our market share decreased to 10.4%, from 11.3% at year-end 2021.

Finally, 2021 included a charge of € 13 million related to a provision to compensate customers with a consumer facility with variable rates. For the expansion of the compensation scheme, we increased the provision by an additional amount of € 5 million in 2022.

The aforementioned positive items were partly offset by lower mortgage income, higher wholesale funding expenses and reduced compensation for loss of interest income due to mortgage prepayments.

Income on mortgages decreased as a result of interest rate renewals at lower rates. On top of that, new mortgage production was concluded at lower rates than the rates of repaid mortgages. In 2022, the residential mortgage portfolio, excluding IFRS value adjustments[16], showed an increase to € 48.3 billion (year-end 2021: € 47.2 billion).

Wholesale funding expenses were higher due to issuances of senior non-preferred debt - to strengthen our MREL ratio - and covered bonds.

Compensation for loss of interest income due to mortgage prepayments declined sharply in the second half of 2022 as mortgage rates rose significantly and the mortgage refinancing market contracted accordingly. For the whole year, this compensation amounted to € 70 million, which was below the level received in 2021 (€ 103 million). The compensation amount in 2022 included a € 20 million gain related to the refinement of the amortisation model. Please refer to the Changes in accounting policies, estimates and presentation for this refinement.

At year-end 2022 the interest income on impaired assets (stage 3) was equal to € 11 million (2021: € 13 million).

Interest income

	2022			2021		
in € millions	Gross interest income	Hedging results	Total interest income	Gross interest income	Hedging results	Total interest income
Residential mortgages	1,057	-113	944	1,116	-147	969
Other loans and advances to customers	59	--	59	47	-1	46
Loans and advances to banks	80	--	80	3	--	3
Investments	40	-26	14	34	-42	-8
Negative interest on liabilities	29	--	29	29	--	29
Other	2	--	2	4	--	4
Total	**1,267**	**-139**	**1,128**	**1,233**	**-190**	**1,043**

16 Consisting of fair value adjustments from hedge accounting and amortisations.

The negative interest expenses on liabilities are driven by the negative short-term EURIBOR interest rates. As from 2021, this includes interest charged on savings deposits of business and private customers. This also includes an amount of € 3.8 million (2021: € 7.6 million) related to de Volksbank's participation in the targeted longer-term refinancing operations III (TLTRO III) programme.

Interest expenses

	2022			2021		
in € millions	Gross interest expenses	Hedging results	Total interest expenses	Gross interest expenses	Hedging results	Total interest expenses
Debt certificates	67	-6	61	49	-9	40
Subordinated debt	9	--	9	9	--	9
Amounts due to customers	160	-10	150	176	-11	165
Amounts due to banks	17	--	17	2	--	2
Negative interest on assets	39	--	39	51	--	51
Other	1	--	1	1	--	1
Total	**293**	**-16**	**277**	**288**	**-20**	**268**

The negative interest income on assets is driven by the negative short-term EURIBOR interest rates and primarily relating to current account balances with central banks, deposited collateral at other banks and deposits.

27 Net fee and commission income

ACCOUNTING POLICY FOR NET FEE AND COMMISSION INCOME

Fee and commission income consists of income from securities transactions of customers, asset management and other related services offered by de Volksbank.

Fee and commission income is recognised at an amount that reflects the consideration to which the bank expects to be entitled in exchange for providing the services. At inception of the contract, the performance obligations, including the timing of satisfaction, are identified and determined. Fee and commission income is invoiced and immediately due upon satisfaction of the service provided at a point in time or invoiced at the end of the contract period for services provided over time. Fee and commission income is recognised in the reporting period in which the services are rendered.

Commission expenses and management fees are accounted for as ‘fee and commission expenses’ to the extent services are acquired in the reporting period.

Net fee and commission income

in € millions	2022	2021
FEE AND COMMISSION INCOME		
Money transfer and payment charges	58	50
Advice and agency activities	24	16
Management fees	52	54
Insurance agency activities	19	16
Other activities	1	1
Total fee and commission income	**154**	**137**
FEE AND COMMISSION EXPENSES		
Money transfer and payment charges	11	10
Advice and agency activities	2	--
Management fees	20	20
Insurance agency activities	1	1
Fee franchise	69	67
Total fee and commission expenses	**103**	**98**
Total	**51**	**39**

Total fee and commission income rose by € 17 million to € 154 million (+12%), while total fee and commission expenses went up by € 5 million to € 103 million. On balance, net fee and commission income rose by € 12 million to € 51 million (+31%), mainly due to higher fees from mortgage advice and from property valuation platform Fitrex B.V. (acquired on 1 September 2021). In addition, payment fees went up and the introduction of a monthly rate for the basic banking package contributed to the rise in net fee income.

Management fees were below last year's level as assets under management decreased by € 0.8 billion to € 3.9 billion on account of negative stock market developments.

28 Investment income

ACCOUNTING POLICY FOR INVESTMENT INCOME
Investment income consists of dividend income and unrealised and realised gains or losses for debt- and equity securities.

Dividend income
Dividend income is recognised in the income statement when entitlement is established. For listed securities, this is the date on which these securities are quoted ex-dividend.

Unrealised and realised gains or losses
This includes the unrealised and realised gains or losses for investments in the following categories:
- Amortised cost (realised);
- Fair value through other comprehensive income (realised);
- Fair value through profit or loss (unrealised and realised).

Investments included in a fair value hedge accounting relationship are reported in Other result on financial instruments.

Investment income

	Debt securities - amortised cost		Debt securities - fair value through OCI		Equity securities - fair value through P&L		Total	
in € millions	2022	2021	2022	2021	2022	2021	2022	2021
Realised gains (losses)	4	--	-13	3	--	--	-9	3
Other result on investments	--	--	--	--	1	--	1	--
Total	**4**	**--**	**-13**	**3**	**1**	**--**	**-8**	**3**

Investment income amounted to € 8 million negative, compared to € 3 million positive in 2021. In both years investment income consisted entirely of realised results on fixed-income investments, sold as part of asset and liability management and the optimisation of the investment portfolio.

The realised losses of € 9 million consisted of a € 13 million negative result in the HTCS portfolio and a€ 4 million positive result in the HTC portfolio. In the first half of 2022, part of the HTC portfolio was sold and the associated hedges were unwound, mainly caused by the increased credit risk at that time of some government bonds making them no longer appropriate in the HTC investment mandate.

29 Other results on financial instruments

ACCOUNTING POLICY FOR OTHER RESULTS ON FINANCIAL INSTRUMENTS
This line item includes revaluation results on derivatives and other financial instruments classified as fair value through profit and loss. Derivatives are recognised at fair value. The profit or loss from revaluation at fair value is immediately recognised in the profit and loss account in the item Other results on financial instruments. For derivatives that are designated as a hedging instrument, the recognition of a resulting revaluation gain or loss depends on the nature of the hedge relationship (reference is made to Note 4 Hedging and hedge accounting). Fair value movements in the hedged item attributable to hedged risk are also included in this line item as well as the ineffective portion of any gains or losses of hedge relations.

Furthermore, this line item includes realised results from buy backs of own debt certificates.

Other results on financial instruments

in € millions	2022	2021
Ineffectiveness fair value hedge accounting	9	3
Ineffectiveness cash flow hedge accounting	--	--
Non-trading derivatives: economic hedges - currency	-4	6
Trading results derivatives, investments and other financial instruments	67	2
Result on buy back of debt instruments	-2	-1
Total	**70**	**10**

Other results on financial instruments increased to € 70 million, compared to € 10 million for the previous year. This high level was driven by exceptional circumstances in the financial markets, which were reflected in the sharp rise in ECB interest rates and persistently high market volatility. The result in 2022 was mainly driven by an exceptional amount of € 46 million for swaptions, used to protect the bank's long-term interest income against sharply rising market interest rates (hedge programme). As the reason for protection occurred in 2022, a non-recurring gain was realised. In addition, treasury results improved on the back of the changing market environment. Hedge accounting results also increased due to results on derivatives related to investments sold. These were partly offset by lower results on hedge accounting ineffectiveness of mortgages. Although the relative hedge effectiveness was high, market value movements of derivatives and related mortgages were significant, driven by sharply rising interest rates.

30 Other operating income

ACCOUNTING POLICY FOR OTHER OPERATING INCOME
This comprises all other income that cannot be accounted for under the aforementioned line items of the income statement. Income is recognised at nominal value in the reporting period to which it relates.

Total other operating income in 2022 amounted to €1 million (2021: nil).

31 Staff costs

ACCOUNTING POLICY FOR STAFF COSTS
These costs comprise all costs related to personnel. This includes salaries, social security costs, pension costs and other salary-related costs. Staff costs are recognised in the period in which the employees provide the services to which the payments relate. The accounting policies for employee benefits are included in Note 16 Provisions.

Staff costs

in € millions	2022	2021
Salaries	202	208
Pension costs	42	42
Social security	30	32
Other staff costs	109	132
Total	**383**	**414**

Staff costs decreased by € 31 million, as Other staff costs included a release of the agile restructuring provision of € 23 million. Excluding this release, staff costs decreased by € 8 million, partly due to a decrease in total FTEs as a result of the successful roll-out of the agile way of working. Compared to year-end 2021, the total number of FTEs declined by 74 to 3,887, consisting of a reduction of 55 internal FTEs to 3,123 and of 19 external FTEs to 764.

The pension rights of the employees of de Volksbank are included in the Defined Contribution Plan of the independent Stichting Pensioenfonds SNS REAAL. De Volksbank paid an employer's contribution for the accrual of new rights, that is linked to the target accrual of 1.875%. However, this contribution is capped at 24% of gross wages. A percentage of 24% of gross wages was paid in 2022 (2021: 24%). As there is no commitment either enforceable by law or otherwise to pay additional contributions, pension benefits and related investments have not been included in the balance sheet. Employees paid an employee contribution of 5% (2021: 5%) of pensionable earnings after deduction of the contribution-free amount. This 5% was part of the 24% employer's contribution and is simultaneously paid to the fund. The existing administration agreement with Stichting Pensioenfonds SNS REAAL has been extended by two years until 31 December 2024.

Number of internal FTEs

in numbers	2022	2021
Number of internal FTEs	3,123	3,178

The variable remuneration for senior management was abolished in 2018 and no variable remuneration has been paid out since than. Before abolition of the variable remuneration, the revised Regulation on Sound Remuneration Policies (*RBB*) came into force as from 1 January 2012. Under this regulation, a possible variable remuneration awarded to de Volksbank staff was partly awarded in phantom shares. The fair value per phantom share is obtained by comparing the equity at the end of the year of performance against the number of outstanding ordinary shares (initial value). Subsequently, the share will annually be revalued with the results of the current year.

The value development of the phantom shares is based on the development of de Volksbank's results, possibly adjusted for non-recurring income or expenses. The value of the phantom shares is paid in phases in cash, one part after 1 year and the remaining part after a 4-year time period. The last phantom shares were awarded in 2017. At year-end 2022, there are no phantom shares outstanding (2021: € 3,855). This decrease is the result of distributions made in 2022.

32 Other operating expenses

ACCOUNTING POLICY FOR OTHER OPERATING EXPENSES
Costs are recognised at nominal value in the period in which services have been provided and to which the payments relate. The other operating expenses comprise costs for housing, information technology, marketing, consultancy and other operating costs and prudential costs.

Specification other operating expenses

in € millions	2022	2021
Housing costs	5	5
Information technology costs	66	60
Marketing and public relations costs	29	35
Consultancy costs and audit fees	35	26
Regulatory levies	69	79
Other costs	46	28
Total	**250**	**233**

Other operating expenses, excluding regulatory levies, increased by € 27 million, mainly because operating expenses in 2021 included a gain of € 22 million related to the revaluation of a previous contribution made under the deposit guarantee scheme in relation to the insolvency of DSB (included in Other costs).
Furthermore, IT and consultancy costs for investments, such as Know Your Customer (KYC)-related projects were up. The increase was partly compensated by lower marketing costs.

Regulatory levies

in € millions	2022	2021
Deposit Guarantee Scheme	55	68
Single Resolution Fund	14	11
Bank tax	--	--
Total	**69**	**79**

The European Deposit Guarantee Scheme Directive was implemented in Dutch legislation on 26 November 2015. This directive establishes common standards across the EU and aims to strengthen the protection of depositors. It ensures that depositors will continue to benefit from a guaranteed coverage up to € 100,000 in case of bankruptcy. This will be backed by funds that will be collected from the banking sector. A significant component of the rules is a pre-funded Deposit Guarantee Scheme (DGS). In the DGS, banks pay quarterly contributions into a Deposit Guarantee Fund (DGF). The level of the contribution paid by de Volksbank depends on the amount of guaranteed deposits at de Volksbank and the risk profile, partly in relation to the other banks that are part of the scheme. The target size of the DGF is equal to 0.8% of the total guaranteed deposits of the banks collectively, a target that has to be reached by 2024.
In 2022, de Volksbank paid € 55 million to the DGS (2021: € 68 million). The lower DGS contribution was mainly due to lower covered deposit growth year-on-year.

In order to finance an orderly winding up of failing banks, a National Resolution Funds (NRF) was established in 2015, which is ex-ante financed by contributions raised from the banks. The NRF was replaced by the Single Resolution Fund (SRF) as from 2016. The SRF builds up over eight years, reaching a target level of at least 1% of the amount of covered deposits of all credit institutions of all the participating member states.
In 2022, de Volksbank contributed € 14 million to the NFR (2021: €11 million).

Audit fees

Notes to the audit fees

in € thousands, excluding applicable VAT	EY Accountants 2022	EY Accountants 2021
Statutory audit of annual accounts, including the audit of the financial statements and other statutory audits of subsidiaries and other consolidated entities	2,382	2,001
Other assurance services	1,612	1,235
Tax advisory services	--	--
Other non-audit services	--	--
Total	**3,994**	**3,236**

The audit fees relate to the financial year to which the financial statements pertain, regardless of whether the external auditor and the audit firm performed the work during the financial year.

In addition to the statutory audit and the performance of other statutory audits, the auditor also provides a number of other assurance services. These other assurance services consist of the review of interim financial information, the assessment of non-financial information as included in the integrated annual report, internal control (ISAE 3402) reports and activities related to the separation of assets, cost price model, prospectuses and bond issues. Furthermore, these activities include reporting activities to the regulatory authority and securitisations and the covered bond programme in relation to mortgage pools within the context of outsourcing.

33 Impairment charges (reversals) of financial assets

ACCOUNTING POLICY FOR IMPAIRMENT CHARGES (REVERSALS) OF FINANCIAL ASSETS
Financial assets measured at amortised cost and fair value through OCI, including loan commitments and financial guarantee contracts (off-balance sheet positions) are subject to impairments. An impairment is recognised in the income statement. The accounting principles for impairment are explained in more detail in the accounting principles of the balance sheet items that are subject to impairments. For more information about the stage allocation process and associated provisioning methodology, please refer to Section 4.3.3 Provisioning methodology.

Impairment charges (reversals) of financial assets by portfolio

in € millions	2022	2021
Investments	8	1
Loans and advances to banks	5	--
Loans and advances to customers	39	-59
Of which residential mortgages	*17*	*-46*
Of which consumer loans	*-3*	*3*
Of which SME loans	*2*	*-12*
Of which other corporate and government loans	*23*	*-4*
Total impairment charges of financial assets	**52**	**-58**

Total impairment charges of financial assets amounted to € 52 million in 2022, compared to a reversal of € 58 million in 2021. Actual defaults of residential mortgages and SME loans remained very low, but the deteriorated economic outlook used in our provisioning models resulted in a higher level of impairments. For a more detailed description of the impairments based on the Expected Credit Loss model in line with IFRS 9, see Section 4.3 Credit risk.

Residential mortgages
In 2022, we took an impairment charge of € 17 million for residential mortgages, where a reversal of € 46 million was recognised in 2021. The overall loan loss provision includes a management overlay, which decreased in 2022. This decrease was mainly driven by a release of the Covid-19-related overlay as the impact of the virus on society

was not as negative as initially estimated, and by a release of the management overlay for an adjusted scenario simulating the house price development. Conversely, a new management overlay has been included to account for the risk of high inflation affecting our customers' ability to repay their loan(s). The management overlay decrease was more than offset by an increase in modelled provisions driven by a less positive macroeconomic outlook, most notably lower expected house prices, and model improvements.

The reversal in 2021 followed from an improved macroeconomic outlook, most notably rising house prices. The positive impact from the improved outlook was partly offset by the application of a higher management overlay as the uncertainty remained high at this point in time.

Consumer loans

Impairment charges on other consumer loans consisted of a reversal of € 3 million, as opposed to a charge of € 3 million in 2021. The charge in 2021 was mainly driven by the implementation of a new regulatory definition of default.

SME loans

Impairment charges on SME loans consisted of a small charge of € 2 million as the credit quality of the portfolio remained sound. In 2021 there was a reversal of € 12 million, driven by an improved macroeconomic outlook, in particular an expected reduction in the number of insolvencies.

Other corporate and government loans

Impairment charges on other corporate and government loans rose to € 23 million, caused by increased credit risk of a few individual loans provided. In 2021, impairment charges on other corporate and government loans consisted of a reversal of € 4 million as the credit risk on the same loans decreased.

Loans to banks

Impairment charges on loans to banks amounted to € 5 million (2021: nil), driven by increased credit spreads.

Investments

Impairment charges on investments amounted to € 8 million, compared to € 1 million in 2021. This increase was mainly driven by increased credit spreads on our fixed-income portfolio.

34 Taxation

ACCOUNTING POLICY FOR TAXATION

Income tax consists of current and deferred tax. Income tax is recognised in the income statement in the period in which profits arise and measured using tax rates enacted at the balance sheet date.

Specification Tax

in € millions	2022	2021
In financial year	66	43
Prior year adjustments	--	--
Corporate income tax due	**66**	**43**
Due to temporary differences	1	13
Deferred tax	**1**	**13**
Total	**67**	**56**

Reconciliation between the statutory and effective tax rate

in € millions	2022	2021
Statutory income tax rate	25.8%	25.0%
Result before tax	258	218
Statutory corporate income tax amount	**67**	**54**
Exemptions	3	2
Permanent differences	-3	--
Total	**67**	**56**
Effective tax rate	26.0%	25.8%

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 in which 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
Nature of activities	Credit institution
Geographical location	The Netherlands
Turnover	€ 965 million
Number of FTEs on a full-time basis	3,887
Profit before tax	€ 258 million
Tax on profit	€ 67 million
Public subsidies received	n.a.

Authorisation of the consolidated annual financial statements

Utrecht, 9 March 2023

EXECUTIVE BOARD
Martijn Gribnau (Chair)
Jeroen Dijst
André Haag
Marinka van der Meer

SUPERVISORY BOARD
Gerard van Olphen (Chair)
Jos van Lange (Vice chair)
Jeanine Helthuis
Petra van Hoeken
Aloys Kregting

Company financial statements

Company statement of financial position

Before result appropriation and in € millions	Notes	31-12-2022	31-12-2021
ASSETS			
Cash and cash equivalents	1	7,993	10,278
Government paper eligible at the central bank		968	960
Loans and advances to banks	2	6,884	4,527
Loans and advances to customers	3	48,966	50,570
Derivatives	4	3,292	591
Debt securities		4,610	4,664
Equity securities		10	10
Subsidiaries	5	76	79
Tangible assets	6	78	87
Other assets	7	650	841
Total assets		**73,527**	**72,607**
EQUITY AND LIABILITIES			
Amounts due to banks	8	2,805	1,059
Amounts due to customers	9	57,150	58,127
Debt certificates	10	7,266	7,058
Derivatives	4	924	989
Other liabilities	11	1,108	1,286
Other provisions[1]		66	102
Subordinated debts[1]		500	500
Total liabilities		**69,819**	**69,121**
Share capital	12	381	381
Share premium reserve	12	3,537	3,537
Cashflow hedge reserve	12	17	19
Fair value reserve	12	-146	11
Other reserves	12	-570	-624
Net profit for the period	12	191	162
AT1 capital securities	12	298	--
Total equity		**3,708**	**3,486**
Total equity and liabilities		**73,527**	**72,607**
Loan commitments given		2,204	2,533
Financial guarantees and other commitments		436	520

1 For these line items reference is made to the notes to the consolidated financial statements.

Company income statement

in € millions	Notes	2022	2021
Interest income	16	1,128	1,064
Interest expense	16	276	264
Net interest income		**852**	**800**
Investment income and result subsidiaries	17	37	-7
Fee and commission income	18	108	111
Fee and commission expenses	18	85	80
Net fee and commission income		**23**	**31**
Other result on financial instruments	19	36	-3
Other operating income		--	--
Total income		**948**	**821**
Salaries	20	349	379
Social security	20	29	32
Staff costs		**378**	**411**
Depreciation and amortisation of tangible and intangible assets		21	20
Other operating expenses	21	243	224
Impairment charges of financial assets	22	52	-50
Total expenses		**694**	**605**
Result before taxation		**254**	**216**
Taxation	23	63	54
Net result for the period		**191**	**162**

Principles for the preparation of the company financial statements

When preparing the company financial statements, de Volksbank N.V. makes use of the option offered in Book 2, Section 362 (8) of the Dutch Civil Code of applying the same principles for valuation and the determination of the results as are used in the consolidated financial statements for the company financial statements. Reference is made to the accounting principles for the consolidated financial statements. The presentation and notes in the company financial statements are based on Title 9, Book 2 of the Dutch Civil Code.

For additional information on items not explained further in the notes to the company statement of financial position, reference is made to the notes to the consolidated financial statements.

The overview as referred to in Book 2, Sections 379 and 414 of the Dutch Civil Code has been filed with the Trade Register of the Chamber of Commerce of Utrecht.

De Volksbank N.V. is as a public interest entity in accordance with Book 2, Section 398 (7) of the Dutch Civil Code. The company financial statements fully comply with the Dutch Annual Accounts Formats Decree (*Besluit modellen jaarrekening*), model K for the statement of financial position and model L for the income statement.

Subsidiaries are all companies and other entities in respect of which de Volksbank N.V. has the power to govern the financial and operating policies, whether directly or indirectly, and which are controlled by de Volksbank N.V. The subsidiaries are accounted for using the equity method. The subsidiaries are regarded as an asset and liability combination and not as an indivisible asset. The expected credit losses as prescribed in IFRS 9 on receivables from subsidiaries in the company financial statements are eliminated and included in the carrying amount of the receivables.

Changes in balance sheet values due to the results of subsidiaries, accounted for in accordance with de Volksbank N.V. accounting policies, are included in the income statement. The distributable reserves of subsidiaries are included in other reserves.

Receivables from and amounts due to subsidiaries are intercompany balances, and are valued at amortised cost.

The cashflow and fair value reserve qualify as legal revaluation reserves.

Liquid assets include the non-restricted demand deposits with the Dutch Central Bank and advances to credit institutions with a remaining maturity of less than one month.

Notes to the company financial statements

1 Cash and cash equivalents

Cash and cash equivalents

in € millions	2022	2021
Overnight deposits at the Dutch Central Bank	7,907	10,195
Short-term bank balances	62	63
Cash	24	20
Total	**7,993**	**10,278**

2 Loans and advances to banks

Loans and advances to banks by remaining maturity

in € millions	2022	2021
≤ 3 months	4,014	2,828
> 3 months ≤ 1 year	1,886	1,111
> 1 year ≤ 5 years	648	306
> 5 years	336	282
Total	**6,884**	**4,527**

3 Loans and advances to customers

Loans and advances to customers by remaining maturity

in € millions	2022	2021
≤ 3 months	777	841
> 3 months ≤ 1 year	1,074	1,141
> 1 year ≤ 5 years	3,600	3,571
> 5 years	43,515	45,017
Total	**48,966**	**50,570**

4 Derivatives

Derivatives

	Positive value		Negative value		Balance	
in € millions	2022	2021	2022	2021	2022	2021
Derivatives held for fair value hedge accounting	2,892	366	555	732	2,337	-366
Derivatives held for cashflow hedge accounting	--	2	3	1	-3	1
Derivatives held for economic hedges	45	165	48	199	-3	-34
Derivatives held for trading	355	58	318	57	37	1
Total	**3,292**	**591**	**924**	**989**	**2,368**	**-398**

Statement of changes in derivatives

in € millions	2022	2021
Opening balance	-398	-1,261
Purchases	168	60
Settlements	-550	254
Revaluations	3,149	558
Exchange rate differences	-1	-9
Closing balance	**2,368**	**-398**

5 Subsidiaries

Statement of changes in subsidiaries

in € millions	2022	2021
Opening balance	79	64
Result subsidiaries	45	-10
Adjustment equity value subsidiaries	-48	25
Closing balance	**76**	**79**

Securitised mortgages are not derecognised from the company financial statements as the derecognition criteria are not met. For that reason, the equity values of subsidiaries that are presented in the company financial statements only relate to assets and liabilities of the subsidiary except securitised mortgages.

6 Tangible assets

Specification property and equipment

in € millions	2022	2021
Land and buildings in own use	8	11
IT equipment	8	6
Other assets	24	26
Right of use of lease contracts	38	44
Total	**78**	**87**

For a more detailed explanation on the Right of use of lease contracts, refer to Note 18 Lease contracts in the Notes to the consolidated financial statements.

Statement of change in property and equipment

	Land and buildings		IT equipment		Other assets		Total	
in € millions	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Accumulated acquisitions costs	--	14	--	33	--	91	--	138
Accumulated revaluations	--	--	--	--	--	--	--	--
Accumulated amortisations and impairments	--	-3	--	-27	--	-65	--	-95
Closing balance	**--**	**11**	**--**	**6**	**--**	**26**	**--**	**43**
Opening balance	11	8	6	9	26	27	43	44
Revaluations	--	--	--	--	--	--	--	--
Investments	-1	1	5	2	7	7	11	10
Divestments	-2	-1	--	--	-1	--	-3	-1
Depreciation	--	--	-3	-5	-7	-8	-10	-13
Impairments	--	3	--	--	-1	--	-1	3
Closing balance	**8**	**11**	**8**	**6**	**24**	**26**	**40**	**43**

7 Other assets

Other assets

in € millions	**2022**	**2021**
Receivables from subsidiaries	331	485
Tax assets	75	43
Trade and other receivables	14	72
Amounts to be settled	155	178
Other	64	49
Sublease	11	14
Total	**650**	**841**

Other accrued assets include the advanced contribution of de Volksbank to the Dutch Central Bank of € 36 million (2021: € 32 million) under the Deposit Guarantee Scheme (DGS) in relation to its share related to the bankruptcy of DSB bank.

8 Amounts due to banks

Amounts due to banks by remaining maturity

in € millions	**2022**	**2021**
≤ 3 months	522	219
> 3 months ≤ 1 year	84	760
> 1 year ≤ 5 years	353	25
> 5 years	1,846	55
Total	**2,805**	**1,059**

9 Amounts due to customers

Amounts due to customers

in € millions	2022	2021
Savings	44,501	45,680
Other amounts due to customers	12,649	12,447
Total	**57,150**	**58,127**

Amounts due to customers by remaining maturity

in € millions	2022	2021
Payable on demand	42,607	43,516
Not payable on demand:		
≤ 3 months	10,769	10,060
> 3 months ≤ 1 year	189	214
> 1 year ≤ 5 years	757	1,050
> 5 years	2,828	3,287
Total	**57,150**	**58,127**

10 Debt certificates

Statement of changes in debt certificates

	Medium Term Notes		Certificates of Deposit		Total	
in € millions	2022	2021	2022	2021	2022	2021
Opening balance	6,858	5,446	200	240	7,058	5,686
Issues	857	1,641	344	351	1,201	1,992
Redemptions	-529	-224	-444	-390	-973	-614
Revaluations	-28	-3	--	--	-28	-3
Amortisation	7	3	--	-1	7	2
Change accrued interest	9	3	--	--	9	3
Other adjustments	-8	-8	--	--	-8	-8
Closing balance	**7,166**	**6,858**	**100**	**200**	**7,266**	**7,058**

Debt certificates by remaining maturity

in € millions	2022	2021
> 1 month ≤ 3 months	100	120
> 3 months ≤ 1 year	490	612
> 1 year ≤ 5 years	3,248	2,015
> 5 years	3,428	4,311
Total	**7,266**	**7,058**

11 Other liabilities

Other liabilities

in € millions	2022	2021
Amounts due to subsidiaries	656	902
Deferred tax liabilities	6	9
Other taxes	17	16
Accruals	311	211
Other	68	91
Lease liabilities	50	57
Total	**1,108**	**1,286**

For a more detailed explanation to the Lease liabilities, refer to Note 18 Lease contracts in the Notes to the consolidated financial statements.

Other relates mainly to amounts payable to customers and suppliers.

12 Equity

Statement of changes in equity 2022

in € millions	Issued capital	Share premium reserve	Cashflow hedge-reserve	Fair value reserve	Other reserves	Net result for the period	AT1 capital securities	Total Equity
Balance as at 1 January 2022	**381**	**3,537**	**19**	**11**	**-624**	**162**	**--**	**3,486**
Transfer of net result	**--**	**--**	**--**	**--**	**65**	**-65**	**--**	**--**
Unrealised revaluations	--	--	--	-167	--	--	--	-167
Realised revaluations through P&L	--	--	-2	10	--	--	--	**8**
Other movements	--	--	--	--	--	--	--	--
Amounts charged directly to equity	**--**	**--**	**-2**	**-157**	**--**	**--**	**--**	**-159**
Net result	--	--	--	--	--	191		191
Total result 2021	**--**	**--**	**-2**	**-157**	**--**	**191**	**--**	**32**
Increase of capital	--	--	--	--	--	--	298	298
Paid interest on AT1 capital securities	--	--	--	--	-11	--		-11
Dividend	--	--	--	--	--	-97	--	-97
Transactions with owners of the company	**--**	**--**	**--**	**--**	**-11**	**-97**	**298**	**190**
Total changes in equity	**--**	**--**	**-2**	**-157**	**54**	**29**	**298**	**222**
Balance as at 31 December 2022	**381**	**3,537**	**17**	**-146**	**-570**	**191**	**298**	**3,708**

The cashflow hedge reserve and fair value reserve are legal reserves.

Statement of changes in equity 2021

in € millions	Issued capital	Share premium reserve	Cashflow hedge-reserve	Fair value reserve	Other reserves	Net result for the period	AT1 capital securities	Total Equity
Balance as at 1 January 2021	**381**	**3,537**	**22**	**29**	**-693**	**174**	**--**	**3,450**
Transfer of net result	**--**	**--**	**--**	**--**	**70**	**-70**	**--**	**--**
Unrealised revaluations	--	--	--	-16	--	--	--	-16
Realised revaluations through P&L	--	--	-3	-2	--	--	--	-5
Other movements	--	--	--	--	-1	--		-1
Amounts charged directly to equity	**--**	**--**	**-3**	**-18**	**-1**	**--**	**--**	**-22**
Net result	--	--	--	--	--	162	--	162
Total result 2021	**--**	**--**	**-3**	**-18**	**-1**	**162**	**--**	**140**
Dividend	--	--	--	--	--	-104	--	-104
Transactions with owners of the company	**--**	**--**	**--**	**--**	**--**	**-104**	**--**	**-104**
Total changes in equity	**--**	**--**	**-3**	**-18**	**69**	**-12**	**--**	**36**
Balance as at 31 December 2021	**381**	**3,537**	**19**	**11**	**-624**	**162**	**--**	**3,486**

ISSUED SHARES
The issued share capital is fully paid up and solely comprises ordinary shares. The nominal value of the ordinary shares is € 453.79.

Issued shares

	Number of shares		Amount of shares in € millions	
In numbers	**2022**	**2021**	**2022**	**2021**
Authorised share capital	4,200,040	4,200,040	1,906	1,906
Share capital in portfolio	3,360,032	3,360,032	1,525	1,525
Issued share capital as at 31 December	**840,008**	**840,008**	**381**	**381**

13 Contingent liabilities and commitments

De Volksbank N.V. has provided guarantees as referred to in Book 2, section 403 of the Dutch Civil Code for Pettelaar Effectenbewaarbedrijf N.V., SNS Mortgage Receivables B.V., SNS Global Custody B.V. and ASN Duurzame Deelnemingen N.V.

For more information on the other contingent liabilities, see Note 20 Contingent liabilities and commitments of the consolidated financial statements.

14 Related parties

Positions and transactions between de Volksbank N.V. and subsidiaries

	Securitisation entities		Other		Total	
in € millions	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Income received	9	10	4	5	13	15
Expenses paid	--	--	--	--	--	--

For more information, see Note 23 Related parties of the consolidated financial statements.

The receivables from the subsidiaries and the amounts due to subsidiaries are included in Note 7 Other assets and Note11 Other liabilities.

15 Post balance sheet events

On 28 February 2023, de Volksbank successfully issued € 0.5 billion of green senior non-preferred notes with a maturity of seven years to further strengthen our MREL position.

There were no other material post balance sheet events that could require disclosure or adjustment to the 31 December 2022 financial statements.

16 Net interest income

Net interest income

in € millions	2022	2021
Interest debt securities	14	-8
Interest income residential mortgages	944	980
Interest income other	170	93
Interest expense banking activities	-276	-265
Net interest income	**852**	**800**

17 Investment income and result subsidiaries

Investment income and result subsidiaries

in € millions	2022	2021
Investment income	-8	3
Result subsidiaries	45	-10
Total	**37**	**-7**

18 Net fee and commission income

Net fee and commission income

in € millions	2022	2021
FEE AND COMMISSION INCOME		
Money transfer and payment charges	58	50
Advice and agency activities	21	15
Management fees	9	29
Insurance agency activities	19	16
Other activities	1	1
Total fee and commission income	**108**	**111**
FEE AND COMMISSION EXPENSES		
Insurance agency activities	1	1
Money transfer and payment charges	11	10
Management fees	4	2
Fee franchise	69	67
Total fee and commission expenses	**85**	**80**
Total	**23**	**31**

For more information on the increase in Fee franchise, see Note 27 Net fee and commission income in the consolidated financial statements.

19 Other results on financial instruments

Other results on financial instruments

in € millions	2022	2021
Ineffectiveness fair value hedge accounting	9	3
Ineffectiveness cash flow hedge accounting	--	--
Non-trading derivatives: economic hedges - currency	-4	6
Trading results derivatives, investments and other financial instruments	33	-11
Result on buy back of debt instruments	-2	-1
Total	**36**	**-3**

20 Staff costs

Staff costs

in € millions	2022	2021
Salaries	199	206
Pension costs	41	42
Social security	29	32
Other staff costs	109	131
Total	**378**	**411**

21 Other operating expenses

Other operating expenses

in € millions	2022	2021
Housing costs	5	5
Information technology costs	65	60
Marketing and public relations costs	29	34
Consultancy costs	33	24
Regulatory levies	69	79
Other costs	42	22
Total	**243**	**224**

For more information on the increase in Other operating expenses, see Note 32 Other operating expenses in the consolidated financial statements.

22 Impairment charges (reversals) of financial assets

Impairment charges of financial assets

in € millions	2022	2021
Investments	8	1
Loans and advances to banks	5	--
Loans and advances to customers	39	-51
Of which residential mortgages	*17*	*-38*
Of which consumer loans	*-3*	*3*
Of which SME loans	*2*	*-12*
Of which other corporate and government loans	*23*	*-4*
Total impairment charges of financial assets	**52**	**-50**

23 Taxation

Specification of taxation

in € millions	2022	2021
In financial year	62	41
Prior year adjustments	--	1
Corporate income tax due	**62**	**42**
Due to temporary differences	1	12
Deferred tax	**1**	**12**
Total	**63**	**54**

The effective tax rate over 2022 amounts to 24.9% (2021: 24.9%).

Profit or loss appropriation

De Volksbank proposes to pay out a dividend in the amount of € 90 million (2021: € 97 million) from the retained earnings for 2022. The profit after dividend payment for the financial year 2022 will be added to the other reserves.

Utrecht, 9 March 2023

EXECUTIVE BOARD
Martijn Gribnau (Chair)
Jeroen Dijst
André Haag
Marinka van der Meer

SUPERVISORY BOARD
Gerard van Olphen (Chair)
Jos van Lange (Vice chair)
Jeanine Helthuis
Petra van Hoeken
Aloys Kregting

PROVISIONS REGARDING PROFIT OR LOSS APPROPRIATION

Provisions of the Articles of Association regarding profit or loss appropriation

ARTICLE 30 DISTRIBUTIONS ON SHARES

30.1 The profits as determined through the adoption of the annual accounts shall be at the disposal of the General Meeting. The General Meeting may decide to make a distribution, to the extent that the shareholders' equity exceeds the amount of the paid and called up part of the capital and the reserves that must be maintained by law.
30.2 For the purposes of calculating any distribution, shares held by the Company in its own capital shall not be included.
30.3 For the purposes of calculating the amount to be distributed on each share, only the amount of the mandatory payments towards the nominal value of the shares shall be taken into account.
30.4 If the General Meeting so determines on the proposal of the Management Board, an interim dividend will be distributed, including an interim dividend from reserves, but only with due observance of what is provided in Section 2:105(4) DCC.
30.5 Unless the General Meeting determines otherwise, distributions shall be payable immediately
30.6 A Shareholder's claim under this Article 30 shall lapse after five years.

INDEPENDENT AUDITOR'S REPORT

To: the shareholder and supervisory board of de Volksbank N.V.

Report on the audit of the financial statements 2022 included in the integrated annual report

Our opinion

We have audited the financial statements 2022 of de Volksbank N.V. based in Utrecht. The financial statements comprise the consolidated and company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of de Volksbank N.V. as at 31 December 2022 and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- the accompanying company financial statements give a true and fair view of the financial position of de Volksbank N.V. as at 31 December 2022 and of its result for 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the following statements for 2022: the consolidated income statement, comprehensive income, consolidated statement of changes in equity and the consolidated cashflow statement;
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2022;
- the company income statement for 2022;
- the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of de Volksbank N.V. (‘the company’) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the “Wet toezicht accountantsorganisaties” (Wta, Audit firms supervision act), the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

De Volksbank N.V. is a bank with a focus on mortgages, payments and savings as its most important products for Dutch retail clients, through the brands SNS, ASN Bank, BLG Wonen and RegioBank. We paid specific attention in our audit to a number of areas driven by the operations of the company and our risk assessment.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In order to obtain sufficient and appropriate audit evidence to provide an opinion on the consolidated financial statements, we have performed a full-scope audit on the consolidated financial information of de Volksbank N.V. as a whole (no components) and by one audit team.

Materiality

Materiality	EUR 18 million (2021: EUR 17 million)
Benchmark applied	0.5% of shareholder's equity (2021: 0.5%)
Explanation	Based on our professional judgment, a benchmark of 0.5% of shareholder's equity is an appropriate quantitative indicator of materiality as it best reflects the financial position of de Volksbank N.V. We determined materiality consistently with the previous financial year.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of EUR 0.9 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Teaming and use of specialists

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a bank. We included specialists in the areas of IT audit, forensics, sustainability, income tax and capital ratios. Furthermore, we have made use of our own experts in the areas of the loan loss provisioning, valuation of derivatives, hedge accounting, employee benefits, and fair value disclosures.

Our focus on climate-related risks and the energy transition

Climate change and the energy transition are high on the public agenda and lead to significant change for many businesses and society. The executive board reported in section 2 'Sustainability statements' and section 4.9 'Sustainability risk' how the company is addressing climate-related and environmental risks also taking into account related regulatory and supervisory guidance and recommendations. Furthermore, we refer to the 'Sustainability statements' of the integrated annual report where de Volksbank discloses its publication of the climate action plan in connection to climate related risks and the effects of energy transition.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the possible effects of the energy transition and de Volksbank's climate action plan are materially impacting judgements, accounting estimates and significant assumptions applied by de Volksbank N.V., including those related to the estimation of expected credit losses. Furthermore, we read the other information included in the integrated annual report and considered whether there is any material inconsistency between the non-financial information in section 2 'Sustainability statements' and section 4.9 'Sustainability risk' and the financial statements. Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, accounting estimates or significant assumptions as at 31 December 2022.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the executive board's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to section 4 'Risk management' of the integrated annual report for the executive boards' risk assessment, that includes the considerations for the potential for fraud.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration in close co-operation with our forensic specialists. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption, in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present. In our risk assessments we considered the potential impact of among others developments of key financial ratios, the business development and organizational changes.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. For these risks we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in the 'Significant accounting policies' note to the financial statements. We have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions. These risks did however not require significant auditor's attention during our audit. We did not identify a risk of fraud in revenue recognition.

The following fraud risk identified did require significant attention during our audit. As described in our key audit matter 'Estimation of expected credit losses on residential mortgages', we specifically considered the risk of management override of controls in connection with assumptions such as macro-economic scenarios and forward-looking information in the determination of the expected credit losses.

We considered available information and made enquiries of relevant executives, directors (including risk, compliance, crime, internal audit and legal) and the supervisory board.

The fraud risk we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the executive board, inspection of the integrity risk analysis (SIRA), reading minutes, inspection of reports from risk, compliance and internal audit and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. In case of potential non-compliance with laws and regulations that may have a material effect on the financial statements, we assessed whether the company has an adequate process in place to evaluate the impact of non-compliance for its activities and financial reporting and, where relevant, whether the company implemented remediation plans amongst which for customer integrity. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us. We make reference to the key audit matter on the 'Estimation of other, non-credit, provisions and related disclosures'.

Our audit response related to going concern

As disclosed in the Basis of preparation section in the notes to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the executive board made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with the executive board exercising professional judgment and maintaining professional skepticism. We considered whether the executive board's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern and whether the company will continue to comply with prudential requirements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed. In comparison with previous year, our key audit matters did not change.

Estimation of expected credit losses on residential mortgages

Risk	Residential mortgages are measured at amortized cost less a provision for impairment. The provision for impairment represents the company's best estimate of expected credit losses. At 31 December 2022, the total gross mortgage loan portfolio amounts to EUR 46.2 billion (2021: EUR 48.0 billion) and provision for expected credit losses of EUR 98 million (2021: EUR 73 million) are reported and disclosed in note 7 to the consolidated financial statements. The notes to the financial statements also disclose the 'Changes in accounting policies, estimates and presentation' related to the updated provisioning model and interest-only mortgages. The provision for impairment is based on expected credit losses which includes assumptions such as the probability of default, the loss given default, the allocation of loans to stages and the use of macro-economic scenarios and forward-looking information. In response to the higher estimation uncertainty under the current economic circumstances, management overlays have been recognized. The appropriateness of loan loss provisions is a key area of judgment for the executive board. The identification of expected credit losses and the determination of the recoverability of residential mortgages are inherently uncertain processes involving assumptions and factors, including scenarios for unemployment and housing prices and impact of inflationary pressures and changing interest environment. The use of alternative modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. As part of our risk assessment, we considered the potential risk of management override of controls and we identified a significant risk with regard the collateral values as an important factor for loss given defaults and thus the expected credit losses. Given the relative size of the residential mortgages of de Volksbank N.V., the complex accounting requirements with respect to calculating provisions for expected credit losses and the subjectivity involved in the judgments made, we considered this to be a key audit matter.
Our audit approach	Our audit procedures included, amongst others, evaluating the appropriateness of de Volksbank N.V.'s accounting policies related to expected credit losses in accordance with IFRS 9 "Financial Instruments" and whether the accounting policies have been applied consistently. We have obtained an understanding of the loan loss provisioning process and tested the design and operating effectiveness of internal controls across the processes relevant to the expected credit loss calculations, and performed substantive procedures as well. This included the allocation of loans into stages, model governance, data accuracy and completeness, arrears management, multiple economic scenarios, post-model adjustments, journal entry testing and disclosures. With the support of our own modelling specialists, we assessed the adequacy of the provisioning models used by de Volksbank N.V. and verified whether the models were adequately designed and implemented. We performed an overall assessment of the provision levels by stage to determine if they were reasonable considering the risk profile of the residential mortgage portfolio, arrears management and credit risk management practices and the macro-economic environment. We challenged the criteria used to allocate loans to stage 1, 2 or 3 in accordance with IFRS 9 and tested loans on appropriate staging. We tested the data used in the expected credit loss calculation by reconciliation to source systems. With the assistance of our own real estate valuation specialists, we tested the collateral values as this is an important factor for the expected credit loss, in particular for stage 3 loans. We have assessed the indexation methodology for the collateral valuation, checked the correct application thereof, and performed an independent valuation test for a selection of collaterals. With the support of our own economic specialists, we assessed the base case and alternative economic scenarios including the impact of current macro-economic uncertainties and the recognition and documentation of management overlays. This included challenging probability weights and the macro-economic forecasts across the scenarios, as well as assessing the sensitivity of changes in the assumptions in the calculations. We tested the appropriateness and the associated considerations of post-model adjustments. We also assessed completeness of the adjustments based on industry sector information, portfolio characteristics and considering inherent model uncertainties.

Estimation of expected credit losses on residential mortgages (continued)

Our audit approach	Finally, we evaluated the completeness and accuracy of the disclosures relating to the provision for impairment losses, as disclosed in note 7 to the financial statements and by reference in section 4.3 'Credit Risk' of the risk management paragraph of the integrated annual report, to evaluate compliance with disclosure requirements included in EU-IFRS. In particular we evaluated that these disclosures adequately convey the degree of estimation uncertainty and the range of possible outcomes under the different macro-economic scenarios.
Key observations	Based on our procedures performed, we consider the provision for expected credit losses on residential mortgages to be reasonable and in compliance with EU-IFRS. The disclosures relating to the provision for expected credit losses meet the requirements of EU-IFRS.

Estimation of other, non-credit, provisions and related disclosures

Risk	In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", de Volksbank N.V. provides for obligations related to, among others, restructuring, legal claims and compliance matters. At 31 December 2022, a total of EUR 66 million (2021: EUR 102 million) for these non-credit related provisions is recognized and detailed in note 16 to the financial statements. In note 20 and note 21, the contingent liabilities and legal proceedings are presented. Furthermore, in the risk management sections 4.1.2, 4.1.3 and 4.5.2 of the integrated annual report developments with regard to legal and compliance risk are disclosed. Developments at de Volksbank N.V. with regard to the internal organization, services to customers and the range of products, as well as heightened regulatory scrutiny, give rise to increased attention from the executive board when estimating the provisions, specifically in the determination of whether outflows in respect of identified matters are probable and can be estimated reliably and the appropriateness of assumptions and judgments used in the estimation of the provisions. Therefore, we consider this a key audit matter.
Our audit approach	We obtained an understanding of the entity-level controls and the legal and regulatory framework of the company. Further, we evaluated the design and implementation of controls by de Volksbank N.V. to identify, monitor and disclose provisions for liabilities and claims, and to assess the completeness and accuracy of data used to estimate provisions. For significant provisions, such as in connection with restructuring and compensation schemes, we challenged the provisioning methodology and tested the underlying data and assumptions used. For cases which were settled during 2022, we verified the actual outflows and considered any remaining residual risk. On a regular basis, we inquired with the risk, compliance, internal audit and legal departments of de Volksbank N.V. to understand and discuss the existing and potentially new obligations and regulatory matters, amongst which customer integrity. We examined the relevant internal reports as well as regulatory and legal correspondence to assess developments and we performed follow-up procedures to examine the company's assessment of the impact on the financial statements and the adequacy of risk management disclosures. Where appropriate, we involved our compliance specialists. Furthermore, we assessed whether the disclosures provided on the other provisions and off-balance sheet items with regard to restructuring, legal claims and compliance matters in note 16, note 20 and note 21 to the financial statements are in accordance with the EU-IFRS requirements. Finally, we evaluated the appropriateness of the compliance and legal risk disclosures in the risk management paragraph of the integrated annual report.
Key observations	Based on our procedures performed we consider the provisions to be reasonable and in compliance with EU-IFRS. The disclosures on provisions, contingent liabilities and commitments, and legal proceedings are considered adequate and appropriate and meet the requirements under EU-IFRS.

Reliability and continuity IT environment

Risk	The activities and financial reporting of de Volksbank N.V. are highly dependent on the reliability and continuity of the IT environment. Effective general IT controls with respect to change management, logical access, infrastructure and operations, secure to a large extent the integrity and continuity of the IT systems as well as the operating effectiveness of the automated controls. As described in the risk management sections 4.1.2, 4.1.3 and 4.5.2 in the integrated annual report, the IT environment and the IT organization of de Volksbank N.V. are subject to process improvements. There is a risk that the general IT control measures may not always operate as intended. The dependency on IT environment could lead to undetected misstatements in financial reporting. Therefore we identified the reliability and continuity of the IT environment as a key audit matter.
Our audit approach	IT audit specialists are an integral part of the engagement team and assess the reliability and continuity of the IT environment to the extent necessary for the scope of our audit of the financial statements. In this context, we evaluated the design of the IT processes and tested the operating effectiveness of general IT controls. As de Volksbank has outsourced a part of their IT organization we have evaluated the outsourced IT processes and IT general controls from the relevant service providers in the context of the financial audit of de Volksbank. We inspected the reports on the design and operating effectiveness of controls from these service providers, evaluated testing exceptions and how complementary user entity control considerations have been addressed which were all tested effective. Further, we obtained an understanding of the cyber security procedures and reporting. Following certain observations related to the demonstrability of controls related to among others logical access and infrastructure management, we performed additional substantive procedures to mitigate the risks.
Key observations	Our testing of the general IT controls and the substantive tests performed, provided sufficient evidence to enable us to rely on the adequate and continued operation of the IT systems relevant for our audit of the financial statements.

Report on other information included in the integrated annual report

The integrated annual report contains other information in addition to the financial statements and our auditor's report thereon.
Based on the following procedures performed, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The executive board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement
We were engaged by supervisory board as auditor of de Volksbank N.V. on 12 October 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that date.

No prohibited non-audit services
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)
De Volksbank N.V. has prepared the integrated annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the integrated annual report, prepared in the XHTML format, including the (partially) marked-up consolidated financial statements as included in the reporting package by de Volksbank N.V., complies in all material respects with the RTS on ESEF.

The executive board is responsible for preparing the integrated annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the executive board combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the integrated annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting). Our examination included amongst others:

- obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package;
- identifying and assessing the risks that the integrated annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files has been prepared in accordance with the technical specifications as included in the RTS on ESEF;
  - examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities for the financial statements

Responsibilities of the executive board and the supervisory board for the financial statements

The executive board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the executive board is responsible for such internal control as the executive board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the executive board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the executive board should prepare the financial statements using the going concern basis of accounting unless the executive board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The executive board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee of the supervisory board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the audit committee of the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 9 March 2023

Ernst & Young Accountants LLP

Signed by P.J.A.J. Nijssen

NON-FINANCIAL ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

To: the shareholder and supervisory board of de Volksbank N.V.

Assurance report of the independent auditor

Our conclusions

We have reviewed the non-financial information in the accompanying Integrated Annual Report for the year 2022 of de Volksbank N.V. at Utrecht. A review is aimed at obtaining a limited level of assurance.

Furthermore, we have audited the disclosures relating to the Net Promoter Score (hereinafter: the NPS disclosures) within the non-financial information mentioned above. An audit is aimed at obtaining a reasonable level of assurance.

Based on our review procedures performed nothing has come to our attention that causes us to believe that the non-financial information does not present, in all material respects, a reliable and adequate view of:

- The policy and business operations with regard to corporate social responsibility
- The thereto related events and achievements in 2022

in accordance with the reporting criteria as included in the section "Reporting criteria".

In our opinion the NPS disclosures are prepared, in all material respects, in accordance with the reporting criteria as included in the section "Reporting criteria".

The scope of our assurance engagement is described in the section "Our scope".

Basis for our conclusions

We have performed our review of the non-financial information and our audit of the NPS disclosures in accordance with Dutch law, including Dutch Standard 3810N, “Assurance-opdrachten inzake maatschappelijke verslagen” (Assurance engagements relating to sustainability reports), which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000, “Assurance engagements other than audits or reviews of historical financial information”. Our responsibilities under this standard are further described in the section “Our responsibilities” of our report.

We are independent of de Volksbank N.V. in accordance with the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO, Code of ethics for professional Accountants, a regulation with respect to independence). This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA, Dutch code of ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Our scope

The non-financial information is included in the following chapters of the Integrated Annual Report:

- 1.2 Our strategy
- 1.3 Our strategic progress
- 2.1 Introduction
- 2.2 General disclosures
- 2.3 Material topics
- 2.4 Topic-specific disclosures
- Additional information - Our approach to reporting
- Additional information - Principles for Responsible Banking
- Additional information - GRI Content Index

The NPS disclosures consist of the disclosures relating to the KPI Net Promoter Score (NPS) as included in section “1.3.1. Strong customer relationship” of the Integrated Annual Report.

Reporting criteria

The reporting criteria used for the preparation of the non-financial information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) and the applied supplemental reporting criteria, including the UN Environment Programme Finance Initiative Principles for Responsible Banking, as disclosed in chapters: “Our approach to reporting”, “Definition and methodology of strategic KPIs” and “Definitions of material topics” of the Integrated Annual Report. The reporting criteria used for the preparation of the NPS disclosures are disclosed in chapter “Definition and methodology of strategic KPIs”.

The non-financial information is prepared in accordance with the GRI Standards. The GRI Standards used are listed in the GRI Content Index as disclosed in paragraph “GRI Content Index” of the Integrated Annual Report.

The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Consequently, the non-financial information needs to be read and understood together with the reporting criteria used.

Unaudited corresponding NPS disclosures

No audit, but a review, has been performed on the NPS disclosures for the periods prior to 2022. Consequently, the corresponding NPS disclosures for the periods prior to 2022 are reviewed but not audited.

Limitations to the scope of our review and our audit

The non-financial information includes prospective information such as ambitions, strategy, plans, expectations, estimates and risk assessments. Inherent to this prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the non-financial information.

In the paragraph “1.3.2 Social impacts” the results of the Climate-neutral Balance sheet are presented. For the Climate-neutral Balance sheet, calculations are mostly based on external sources and by using several assumptions. These assumptions and external sources are disclosed in chapter “Definition and methodology of strategic KPIs” of the Integrated Annual Report, which details the methodology used for the Climate-neutral Balance sheet based on “The Global GHG Accounting and Reporting Standard for the Financial Industry” of the “Partnership for Carbon Accounting Financials”' (PCAF). We have not performed procedures on the content of the assumptions or external sources, other than evaluating the suitability and plausibility of these assumptions and external sources used.

The references to external sources or websites in the non-financial information are not part of the non-financial information as reviewed and the NPS disclosures as audited by us. We therefore do not provide assurance on this information.

Our conclusions are not modified in respect to these matters.

Responsibilities of the executive committee and the supervisory board for the non-financial information

The executive committee is responsible for the preparation of reliable and adequate non-financial information in accordance with the reporting criteria as included in the section “Reporting criteria”, including the identification of stakeholders and the definition of material matters. The executive committee is also responsible for selecting and applying the reporting criteria and for determining that these reporting criteria are suitable for the legitimate information needs of stakeholders, taking into account applicable law and regulations related to reporting. The choices made by the executive committee regarding the scope of the non-financial information and the reporting policy are summarised in chapter ”Our approach to reporting” of the Integrated Annual Report.

Furthermore, the executive committee is responsible for such internal control as it determines is necessary to enable the preparation of the non-financial information that is free from material misstatement, whether due to error or fraud.

The supervisory board is responsible for overseeing the non-financial reporting process of de Volksbank N.V.

Our responsibilities

Our responsibility is to plan and perform the assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusions.

Our review of the non-financial information is aimed at obtaining a limited level of assurance. Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a review is therefore substantially less than the assurance obtained in an audit.

Our audit of the NPS disclosures is aimed at obtaining a reasonable level of assurance. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

We apply the “Nadere voorschriften kwaliteitssystemen” (NVKS, Regulations for quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements. A further description of our responsibilities is included in the annex to this assurance report.

The Hague, 9 March 2023

Ernst & Young Accountants LLP

signed by R.J. Bleijs

Annex to the assurance report of the independent auditor

Our review and our audit included amongst others:

- Performing an analysis of the external environment and obtaining an understanding of relevant sustainability themes and issues and the characteristics of the company
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the non-financial information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the executive committee
- Evaluating the consistency of the non-financial information with the information in the Integrated Annual Report which is not included in the scope of our review and our audit
- Reconciling the relevant financial information with the financial statements, or with information underlying to the financial statements in case the reconciliation cannot be made directly
- Evaluating the overall presentation and content of the non-financial information
- Considering whether the non-financial information as a whole, including the disclosures, reflects the purpose of the reporting criteria used

Our review of the non-financial information included amongst others:

- Obtaining through inquiries a general understanding of internal control, reporting processes and information systems relevant for the preparation of the non-financial information, without obtaining evidence about implementation or testing the operating effectiveness of controls
- Inspected the Principles for Responsible Banking Self-Assessment and reviewed the accuracy of the data and the traceability of the process followed and documented by de Volksbank N.V.
- Obtaining an understanding of the procedures performed by the internal audit department and the external subject matter experts of de Volksbank N.V.
- Identifying areas of the non-financial information with a higher risk of misleading or unbalanced information or material misstatements, whether due to error or fraud. Designing and performing further assurance procedures aimed at determining the plausibility of the non-financial information responsive to this risk analysis. These procedures consisted amongst others of:
  - Interviewing management and relevant staff at brand and corporate level responsible for the sustainability strategy, policy and results
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the non-financial information
  - Obtaining assurance information that the non-financial information reconciles with underlying records of the company
  - Evaluating the suitability and plausibility of the assumptions and external sources used in the calculations on which the Climate Neutral Balance sheet is based
  - Reviewing, on a limited test basis, relevant internal and external documentation
  - Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level

Our audit of the NPS disclosures included amongst others:

- Obtaining an understanding of the systems and processes for collecting, reporting and consolidating the NPS disclosures, including obtaining an understanding of internal control relevant to our audit, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the procedures performed by the external subject matter expert of de Volksbank N.V.
- Identifying and assessing the risks that the NPS disclosures are misleading or unbalanced, or contain material misstatements, whether due to error or fraud. Designing and performing further audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk that the NPS disclosures are misleading or unbalanced, or the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. These procedures consisted amongst others of:
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the NPS disclosures
  - Obtaining assurance evidence that the NPS disclosures reconcile with underlying records of the company
  - Evaluating relevant internal and external documentation, on a test basis, to determine the reliability of the NPS disclosures
  - Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the review and the audit and significant findings that we identify during our review and our audit. We also communicate any significant findings in internal control that we identify during our audit.

OUR APPROACH TO REPORTING

OUR REPORTING APPROACH

The core of our reporting approach is based on the pillars of transparency, relevance, reliability, accuracy and comparability. Therefore, we not only report on our successes, but also address our dilemmas, improvement opportunities and negative impact. Nevertheless, we are somewhat limited in our openness as we cannot share any privacy-sensitive and confidential information.

Our reporting is structured as follows:

• This Integrated Annual Report (IAR) has been prepared in accordance with the Global Reporting Initiative (GRI) 2021 standards and the International Financial Reporting Standards (IFRS). The structure of the Sections 2.2 General disclosures, 2.3 Material topics and 2.4 Topic-specific disclosures is inspired by the order of the GRI Standards. Read more in the GRI Content Index 2022.

• This Integrated Annual Report is about de Volksbank N.V. and all its business units and brands; we consistently refer to them as 'de Volksbank'. In addition to the IAR we publish the Annual Review 2022 (*Jaaroverzicht* 2022), which includes a concise yet comprehensive picture of our business model, strategic choices and performance, and the external context in which we operate. All non-financial figures cover de Volksbank N.V. and all its business units and brand, unless stated otherwise. For example, the KPI Living Wage covers the garment companies in the ASN Investment Universe. Furthermore, we publish the Pillar 3 Report 2022.

• We also adhere to other multiple non-financial reporting guidelines. Among which the EU's Non-Financial Reporting Directive (2014), to which we fully adhere. The required reference table can be found in Section Non-Financial Reporting Directive. We are also committed to the UN Principles for Responsible Banking of which we also provide an overview in Section Principles for Responsible Banking. De Volksbank also structures its disclosure on sustainability risks along the lines of the TCFD guidelines, see Section Task Force on Climate-Related Financial Disclosures for more details and the reference table.

• This IAR was published on 10 March 2023. The frequency of our reporting is yearly. We report on calendar year 2022, which runs from 1 January up to and including 31 December 2022. This holds for all the information in the IAR, except for the key environmental data of own business operations. The 2022 data, as disclosed in section 2.5.3 Key environmental data of our own business operations cover the period 1 October 2021 until 30 September 2022, the 2021 figures cover the period 1 October 2020 up to and including 30 September 2021. Some of the 2021 figures in this section have been restated as a result of better insights in the underlying data.

• The description of de Volksbank's approach of acquisitions and disposals goes for both financial and non-financial information, please refer to Section Acquisitions and disposals for more information.

• The contents of this IAR originate from internal and external sources. In the case of external sources, we have added a reference to the source.

• In order to deliver a relevant report that addresses the most important topics, we performed a materiality assessment. In line with the Global Reporting Initiative we report explicitly on our 8 most material topics, using references and headers in this IAR. We also touch on the remaining 10 other material topics, albeit less prominently and detailed. The process followed and outcomes can be found in Section 2.3 Material topics.

• This IAR has been compiled by a multidisciplinary team. The Social Impact Committee assessed the contents and progress for the non-financial information. The Executive Committee and Supervisory Board of de Volksbank ultimately approved this IAR.

• We attach great value to producing a reliable and accurate report. On that account we asked our independent auditor, EY, for a combination of limited assurance and reasonable assurance on the most relevant non-financial information included in this IAR. Details of the engagement provided to EY were discussed by members of the ExCo as well as the AC of the Supervisory Board. EY performed its work in accordance with Dutch Assurance Standard 3810N 'Assurance engagements relating to sustainability reports' as drawn up by the Netherlands Institute of Chartered Accountants (NBA). No assurance is provided for any forward-looking information. The assurance report on non-financial information by EY can be found in Section Assurance report. The report on the financial statements can be found in Section Independent auditor's report.

We highly value your opinion on this report, our business operations and (potential) issues in the value and supply chains in which we are active. We therefore invite you to ask questions, provide feedback and share tips, please let us know via verantwoord.ondernemen@devolksbank.nl.

DISCLAIMER

Forward-looking statements reflect our convictions, plans and expectations at the time of publication. Words such as 'ambition', 'plans', 'intention' and 'expectation' are intended to clearly indicate such statements in our report. Information about the future is based on goals and informed estimates. Nevertheless, new insights and external factors may negate this information or lead to materially different outcomes. We do not intend to publicly update this information during the year. However, we may change and/or delete this forward-looking information in future publications, such as the interim results.

NON-FINANCIAL REPORTING DIRECTIVE

Topic	Subtopic	Integrated Annual Report reference
Business model	General description	1.2 & 1.3
Relevant social and personnel matters (e.g. HR, safety etc.)	A description of the policies pursued, including due dilligence.	2.2.4 & 2.5.1
	The outcome of those policies.	2.2.4 & 2.5.1 MT 11
	Principal risks in our own operations and within the value chain.	4.5
	How risks are managed.	4.5
	Non-financial key performance indicators.	2.2.4 & 2.5.1 MT 11
Relevant environmental matters (e.g. climate-related impacts)	A description of the policies pursued, including due dilligence.	2.2.4
	The outcome of those policies.	2.2.4
	Principal risks in our own operations and within the value chain.	4.9
	How risks are managed.	4.9
	Non-financial key performance indicators.	2.2.4 & 2.5.1 MT 18
Climate change	A description of the policies pursued, including due dilligence.	2.2.4
	The outcome of those policies.	2.4.6
	Principal risks in our own operations and within the value chain.	4.9
	How risks are managed.	4.9
	Non-financial key performance indicators.	2.2.4 & 2.4.6
Relevant matters with respect for human rights (e.g. labour protection)	A description of the policies pursued, including due dilligence.	2.2.4
	The outcome of those policies.	2.5.1 MT 15
	Principal risks in our own operations and within the value chain.	2.5.1 MT 15 & 4.9
	How risks are managed.	2.5.1 MT 15 & 4.9
	Non-financial key performance indicators.	2.5.1 MT 15
Relevant matters with respect to anti-corruption and bribery	A description of the policies pursued, including due dilligence.	2.2.4
	The outcome of those policies.	2.5.1 MT 10
	Principal risks in our own operations and within the value chain.	2.5.1 MT 10
	How risks are managed.	2.5.1 MT 10 & 4.5
	Non-financial key performance indicators.	2.5.1 MT 10
Insight into diversity (Executive Board and the Supervisory Board)	A description of the policies pursued.	3 Governance
	Diversity targets.	3 Governance
	A description of how the policy is implemented.	3 Governance
	Results of the diversity policy.	3 Governance

PRINCIPLES FOR RESPONSIBLE BANKING

REPORTING AND SELF-ASSESSMENT TEMPLATE

Principle 1: Alignment

We will align our corporate strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response

- *Fourth-largest retail bank operating in the Netherlands.*
- *Simple and transparent mortgage, savings, payment, insurance and investment products.*
- *Customers are private individuals, self-employed persons and smaller businesses.*
- *Our mission is 'Banking with a human touch'.*
- *Four brands: SNS, ASN bank, RegioBank and BLG Wonen.*

Links and references

Company profile

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

× Yes
☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

× UN Guiding Principles on Business and Human Rights
× International Labour Organization fundamental conventions
× UN Global Compact
× UN Declaration on the Rights of Indigenous Peoples
× Any applicable regulatory reporting requirements on environmental risk assessments - please specify which ones: *Equator Principles and Principles for Responsible Investment*
☐ Any applicable regulatory reporting requirements on social risk assessments - please specify which ones:
☐ None of the above

Response

- *Strategy 2021-2025 'Better for each other - from promise to !mpact'.*
- *Our strategy and activities relate most to SDGs 8, 11, 13, 15 and 17.*
- *We aim to make a positive impact on society on four themes, i.e. sustainability, decent housing for everyone, quality of life in the community and attention to personal growth for everyone. KPIs for each theme are currently being developed, except for KPIs on sustainability, which are, at least internally, already in place.*
- *The Paris Climate Agreement is taken into account in our climate policy.*
- *Our goal is a 100% climate-neutral balance sheet by 2030.*
- *We were the first bank in the Netherlands to commit to the Science Based Target initiative (SBTi). We have set targets for 2030 for our buildings and car fleet, as well as for our mortgage portfolio and renewable energy portfolio. The targets are ambitious and in line with a 1.5°C scenario.*
- *Our sustainability policy is based on a large number of international frameworks (e.g. UNGC, ILO and OECD)*
- *Our brand ASN Bank was a joint initiator for partnerships like the Partnership for Carbon Accounting Financials (PCAF), the Partnership for Biodiversity Accounting Financials (PBAF) and the Platform Living Wage Financials (PLWF).*
- *We signed the PRB Financial Health & Inclusion Commitment in 2021.*

Links and references

1.3 Our strategic progress; 1.4 Our business performance

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d).

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/ services across the main geographies that the bank operates in have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response	Links and references
• *De Volksbank operates in the Netherlands, the impacts have been identified on country level and not on local level as the Netherlands is a small and not particularly diverse country.* • *De Volksbank is a retail bank and therefore, in the impact identification tool, the focus is on consumer banking.* • *The institutional banking identification module is as of yet out of scope of our impact analysis as this is not our main business activity.*	Company profile

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope
i) by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Response	Links and references
• *The proportion of our overall consumer banking portfolio in gross income is 93% based on year-end 2021 data.* • *Within the consumer banking identification module, mortgages and savings have been identified as our main products . We also included consumer loans and current accounts in our consumer banking identification module.* • *We serve all types of customers, from low to high income citizens, of all genders and all ages.* • *Type of customers for consumer banking portfolio is as of yet out of scope of our portfolio composition.*	Company profile; Key figures

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

Response	Links and references
Climate change threatens human communities and natural ecosystems all over the world. Our response to this challenge is rooted in our strategy: we aim to create a positive social impact. Our Sustainability Policy Climate has been the cornerstone in this respect for a long time, based on the Paris Agreement. We engage with different stakeholders, such as customers, advisers, cooperation partners, industry/businesses, networks and society as a whole. Read more about it in Section 2.2.5 Stakeholder engagement. *The right to housing is embedded in our constitution, and is on the international agenda as one of the Sustainable Development Goals to make the world a better place. The Dutch housing market is currently at an impasse. Housing shortage is increasing, and for newcomers to the housing market it is difficult to find an affordable home. It is our ambition to improve accessibility to housing. A first step towards this is to measure housing accessibility, as this was not done before in the Netherlands. That is why BLG Wonen, Companen and PwC developed the Housing Accessibility Monitor. This monitor provides insights into where and for whom different residential segments of the housing market in the Netherlands are currently (not) accessible.* *On top of that, the energy crisis and other crises have a true impact on the financial health of people. We consulted the Financial Health Report (in Dutch only) drawn up by Deloitte, Nibud, ING and Leiden University. Three quarters of the Dutch do not yet have their financial situation (fully) in order. One in ten households cannot make ends meet because*	2.2.4 Strategy, policies and practices; 2.2.5 Stakeholder engagement; 2.4.8 Material topic 8: Social engagement, cooperation and entrepreneurship; Financial Health Report

their income is insufficient. Seven in ten Dutch households save on a monthly basis. Even among financially healthy people, there is room for improvement. Many Dutch people are guided by short-term attitudes. Men seem to be financially healthier than women. Of the cities, the three largest cities are the least financially healthy in the Netherlands.

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.

Response	**Links and references**
• *Based on the impact analysis the positive and negative impact areas of de Volksbank are: climate stability, resource intensity (within circularity), equality & justice, housing and finance (both within availability, accessibility, affordability, quality of resources & services).* • *The two impact areas we prioritise are climate stability and availability, accessibility, affordability, quality of resources & services. Within the latter impact area, we focus on the impact topics housing and finance.* • *Besides these two priorities we also signed the Financial Health & Inclusion Commitment, which matches the impact topic finance.*	2.2.4 Strategy, policies and practices (Paragraph Commitments)

d) Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

Response	**Links and references**
Our current strategic objective to have a climate-neutral balance sheet consists of an estimation of the emissions avoided with our activities and the emissions caused by us. De Volksbank's balance sheet largely consists of (retail) mortgages. The SME portfolio, project financing and bank capital are also included in our climate performance measurement. *For the impact area 'housing', we are in the process of defining a performance measurement to measure our impact on housing accessibility.* *We are currently working on the Context Analysis for Financial Health & Inclusion. We already have various KPIs that relate to this theme and in 2023 we will determine what our main contribution to this topic will be.*	1.3.2. Social impact (Paragraph Climate-neutral balance sheet)

Self-assessment summary:

Which of the following component of impact analysis has you bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

Scope:	× Yes	☐ In progress	☐ No
Portfolio composition:	× Yes	☐ In progress	☐ No
Context:	× Yes	☐ In progress	☐ No
Performance measurement:	☐ Yes	× In progress	☐ No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

The positive and negative impact areas of de Volksbank are: climate stability, resource intensity (within circularity), equality & justice, housing and finance (both within availability, accessibility, affordability, quality of resources & services). The two impact areas that are most significant to us are climate stability and housing.

How recent is the data used for and disclosed in the impact analysis?

☐ Up to 6 months prior to publication
☐ Up to 12 months prior to publication
× Up to 18 months prior to publication
☐ Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: *The impact analysis is based on year-end 2021 data.*

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

Climate stability • *SDG 11, by making our mortgage portfolio more sustainable, we contribute to climate-resilient homes and communities.* • *SDG 13, to have no negative effect on the climate, we want to have a climate-neutral balance sheet by 2030 and a net zero balance sheet by 2050.* • *SDG 17, for example through Partnership Carbon Accounting Financials.* • *Paris Agreement.* • *The Dutch National Climate Agreement.* • *The Science-Based Targets initiative.* • *Taskforce for Climate Financial Disclosure.* • *The PRB framework.* *Housing* • *SDG 11, We are committed to making the housing market more accessible.* • *The PRB framework.* *Financial inclusion & health* • *SDG 17, for example through GeldFit, Nationale schuldhulproute and Wijzer in Geldzaken.* • *The PRB framework.*	**Links and references** 2.2.4 Strategy, policies and practices (Paragraph Commitments); 1.2.3 How we create value

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

For the aforementioned table, see the PRB Annex below this Reporting and Self-Assessment Template.

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

Response *Climate Stability* • *In 2015, we set the goal of having a climate neutral balance sheet by 2030. As an intermediate target, we want to be at least 75% climate neutral by 2025.* • *Since 2015, we have been measuring and reporting on our pathway to a climate-neutral balance sheet. We speak of a climate neutral balance sheet if we avoid, or even remove, as many emissions from the air with our financing and investments as we cause. De Volksbank's balance sheet largely consists of (retail) mortgages. The SME portfolio, project financing and bank capital are also included in our performance measurement on climate.* • *At the first measurement at the end of 2014, the balance sheet was 16% climate neutral. There is no baseline for the climate-neutral balance sheet, as this is based on the PCAF methodology which is improving over time.* • *The energy efficiency ratings of our mortgage portfolio in 2015 were as follows: 7% A, 17% B, 31% C, 10% D, 8% E, 13 % F and 14% G. This is the baseline for the energy efficiency rating of financed homes indicator.* *Housing*	**Links and references** 1.3.2. Social impact (paragraph Climate-neutral balance sheet)

- *We are in the process of defining a performance measurement to measure our impact on housing*
- *In 2022, we translated this theme into three KPIs that we intend to develop further in 2023: 1) enable housing for households with incomes up to and including twice modal; 2) sustainable recovery from financial care in the event of major life events; 3) realise new housing units.*

Financial health and inclusion

- *We are in the process of defining a performance measurement on financial health. We have various measurements on financial health, but we are working on a true ambition in this field, including our baseline and targets.*

c) SMART targets: Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

Response	Links and references
De Volksbank steers towards climate neutrality of its entire balance sheet. The target for 2030 is 100% climate-neutral, with an interim target of 75% in 2025. *The climate-neutral balance sheet KPI is the balance in CO_2 emissions between emitted CO_2 emissions and avoided CO_2 emissions across all assets. The following indicators help steer towards a climate neutral balance sheet.* • *Average energy efficiency rating of financed homes.* • *CO_2 emissions from retail mortgages in kilotons CO_2e.* • *CO_2 emissions from sustainable financing.* • *CO_2 emissions climate bonds.* • *CO_2 emissions business loans.* *These indicators do not have a baseline because we calculate the emissions with the PCAF methodology, which improves over time. The energy efficiency rating of financed homes does have a baseline and we have an internal target on this indicator. The methodology for the climate neutral balance sheet and the indicators can be found in Section Definition and methodology of strategic KPIs. The first two indicators are related to the scope of our impact analysis. Also our Science Based Targets are related to our impact analysis. Since 2022, our Science Based Targets have been approved to manage the climate neutral balance sheet in line with the 1.5 degree scenario. We underpin emissions reductions from the climate-neutral balance sheet with these Science Based Targets. In 2030, the Science Based Target for the mortgage portfolio is a 59% emissions reduction per m2 compared to baseline year 2020.* *Housing* *Our housing KPI is being developed and will be finalised in 2023, and has a focus on improving housing accessibility. In terms of the likelihood of finding a suitable home, the differences between income groups are large. For households with an income up to and including twice modal (€ 76,000), housing accessibility is only 18%. For households from twice modal upwards, this figure is 50%. At de Volksbank, we are committed to increasing the accessibility to housing, even for people with a modal income. Moreover, we measure how successful we are in increasing opportunities for people with reduced access to the (owner-occupied) housing market.* *Financial health & inclusion* *Our ambition and KPI setting on for Financial Health & Inclusion is under development.*	1.3.2. Social impact (paragraph Climate-neutral balance sheet); 2.4.8 Material topic 8: Social engagement, cooperation and entrepreneurship

d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

Response	Links and references
Climate stability *De Volksbank has many years of experience in mitigating and adapting to climate change. Our actions have resulted in for example that our brand ASN Bank was a joint initiator for partnerships like PCAF and PBAF and ASN Bank having a climate-neutral balance sheet. We will therefore continue these efforts.* *In Our Climate Action Plan (CAP) we describe how we plan to take action to reduce our negative impact on the climate. We provide a summary below on some points disclosed in the CAP.*	2.2.4 Strategy, policies and practices (paragraph Membership associations and collaborations); 2.4.4 Material topic 4:

- *We will further strengthen our organisation's efforts in making our (retail and business) customers aware of the need to reduce GHG emissions and the potential risks and benefits. In addition, we will support them in finding the best solutions to reduce such emissions.*
- *Moreover, we will be reassessing all product and service proposals of the last couple of years with the aim of supporting our retail mortgage customers in reducing their energy consumption and GHG emissions of their homes by providing them with loans and advice.*
- *We found that relatively small adjustments in the credit position of a customer, e.g. to invest in energy-savings solutions, can lead to a disproportionate administrative burden, partly due to strict regulation. Together with our peers we will engage with legislators and supervisory authorities to seek appropriate solutions in this respect. We will actively engage in dialogue with peers on this matter.*
- *We will reassess the possibilities for our project finance department to participate in a wider range of projects such as deal sizes, maturities and investment objects. We will finalise these above-mentioned assessments by the end of June 2023.*
- *The outcomes of the assessments will be the starting point for more detailed actions with starting points in 2024.*

For Housing and Financial Health & Inclusion we have not yet created any action plans.

Responsible investment and financing

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your…

	… first area of most significant impact: *Climate stability*	**… second area of most significant impact: *Housing***	**(If you are setting targets in more impact areas) …your third (and subsequent) area(s) of impact: *Financial Health & Inclusion***
Alignment	X Yes ☐ In progress ☐ No	X Yes ☐ In progress ☐ No	☐ Yes x In progress ☐ No
Baseline	X Yes ☐ In progress ☐ No	☐ Yes x In progress ☐ No	☐ Yes ☐ In progress x No
SMART targets	X Yes ☐ In progress ☐ No	☐ Yes x In progress ☐ No	☐ Yes ☐ In progress x No
Action plan	☐ Yes x In progress ☐ No	☐ Yes ☐ In progress x No	☐ Yes ☐ In progress x No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response

In 2015, we set the goal of having a climate-neutral balance sheet by 2030. As an intermediate target, we want to be at least 75% climate neutral by 2025. Since 2015, we have been measuring and reporting on our pathway to a climate-neutral balance sheet. We speak of a climate-neutral balance sheet if we avoid, or even remove, as many emissions from the air with our financing and investments as we cause. The underlying KPI 'average energy efficiency rating of financed homes' reduces CO2 emissions from retail mortgages in kilotons of CO2e. Here too, we have intermediate targets. The Science Based Target for the mortgage portfolio is 29% emissions reduction per m2 by 2025 compared to 2020. Other interim targets are for internal steering purposes.

For the topics Housing and Financial Health & Inclusion we have not determined the performance measurement including baseline and targets.

Links and references

Definition and methodology of strategic KPIs (paragraph Climate-neutral balance sheet)

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

× Yes ☐ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

× Yes ☐ In progress ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

Response

- *The highest negative impact on climate is caused by the mortgages of our customers. Therefore we have a sustainability policy on housing, KPIs on the energy efficiency score of our mortgages and special programmes to encourage homeowners to make their houses more sustainable.*
- *We aim to stimulate our customers to make sustainability-related improvements to their homes, such as measures to save energy.*
- *We train our financial advisers on sustainability.*
- *The ASN Mortgage can be raised up to €30,000 for energy-saving measures.*
- *Customers receive an interest discount when taking out an ASN Mortgage for a home with energy efficiency rating of A or higher.*
- *Through ASN Impact Investors, we make it possible for our customers to invest in sustainable equity funds, e.g. the ASN Biodiversity Fund. ASN Bank discloses the impact of their investment on CO2 emissions to its customers.*
- *On the housing impact area, BLG Wonen wants to make decent living accessible to everyone. Especially for people for whom this is not, or does not seem, easy to realise.*
- *In November 2022, BLG Wonen organised its annual Housing Debate, this time entitled 'Embrace innovation'. The event focussed on numerous initiatives that have a positive impact on the accessibility to the housing market. Through this event, BLG Wonen initiates and realises more collaborations between market parties.*

Links and references

2.4.4. Material topic 4: Responsible investment and financing; 2.4.6 Material topic 6: Climate Impact (paragraph Scope 3); 2.4.8 Material topic 8: Social engagement, cooperation and entrepreneurship

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services , information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Response

- *We strive to make a positive impact on SDGs 8, 11, 13, 15 and 17.*
- *We introduced a Personal Sustainability Loan. Customers can use this loan that has an attractive rate for sustainable spending for energy-saving measures or for a Tiny House.*
- *ASN Bank expanded its product range with sustainable home, home contents and liability insurance products. Customers have the option to have damage repaired with or replaced by second-hand or refurbished materials. The insurance premium is invested in sustainable companies, governments and projects.*
- We monitor the *average energy efficiency score of our mortgage portfolio.*
- *Energy efficient mortgages: Aiming to make sustainability measures in these houses affordable to everyone, customers can take out an ASN sustainable housing loan at a low interest rate concurrently with their ASN mortgage.*
- *In 2022, BLG Wonen participated in the development of the rental mortgage, in which landlords can get financing provided they base their rent on the points-based system. This mortgage will be implemented in the first quarter of 2023.*
- *Green bonds: de Volksbank issued Green bonds contributing to more sustainable residential real estate.*

Links and references

1.3.2 Social impact (paragraph Green Bonds); 2.2.4 Strategy, policies and practices (Sustainability Metrics table); 2.4.6 Material Topic 6: Climate Impact (paragraph Scope 3); 1.2.3 How we create value

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

× Yes ▯ In progress ▯ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response	Links and references
• *We categorise our stakeholders into four groups: customers, society, employees and the shareholder.* • *We are continuously in touch with our stakeholders throughout the year in all sorts of ways, for example with our customers through daily chat, email and telephone contact but also in our shops and branch offices.* • *Topics of conversation with these stakeholders are e.g. sustainability, housing, and diversity and inclusion. For example, on the latter subject, de Volksbank organised round tables with employees. We will use the outcomes to draw up new policies.* • *We aim to initiate, accelerate and facilitate partnerships to reach the SDGs on various fronts; to this end we were joint initiators of the PCAF, PBAF and PLWF. We also collaborate with foundations such as Oranje Fonds, NLvoorelkaar, Dutch Debt Relief Route (*Nederlandse SchuldhulpRoute*) and National Mortgage Guarantee (*Nationale Hypotheek Garantie*)*	2.2.4 Strategy, policies and practices (Paragraph Membership associations and collaborations); 2.2.5 Stakeholder engagement

Principle 5: Governance & Culture

We will implement our commitment to the Principles through effective governance and a culture of responsible banking.

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

× Yes ▯ In progress ▯ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- Which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- Details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impact being detected), as well as
- remuneration practices linked to sustainability targets.

Response	Links and references
• *The Exexutive Committee (ExCo) is responsible for the social impact strategy of de Volksbank and the social impact KPIs.* • *The Social Impact Committee (SIC), chaired by the Chief Risk Officer, monitors our policies and progress on sustainability topics. An Advisory Team prepares and advices the SIC. Topics concerning the PRB fall within the scope of these bodies. The SIC is responsible for the PRB.* • *There is a PRB working group, chaired by our Sustainability Center of Expertise.* • *Social impact themes related to the PRB impact areas are part of the de Volksbank impact framework. Every brand is responsible for their own social impact KPIs and runs its own governance. These KPIs are regularly discussed and monitored in the SIC.*	3.4 Remuneration Report; 3.5 Sustainability Governance

- *The ExCo has a fixed remuneration, the Supervisory Board sets the performance objectives for the ExCo, including performance objectives for societal impact. These objectives are derived from de Volksbank's (long-term) strategic objectives.*

5.2 Promoting a culture of responsible banking

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst other)

Response	Links and references
• *There are various initiatives to bring sustainability, risk and finance to the attention of our employees.* • *For example through: newsletters about risk & sustainability, communication about sustainability and the PRB on a regular basis, sustainability policies available to all employees and sustainability training on our online learning platform.* • *Department-specific presentations on sustainability.* • *Lifelong learning sessions for ExCo and the leadership teams on sustainability.* • *We train our financial advisers on sustainability.* • *Employee training sessions on cyber criminality.*	2.4.3 Material Topic 3: Data privacy and security; 2.5.1 Other Material topics; 3.2 Report of the Supervisory Board

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Response	Links and references
• *The integration of short, medium and long-term ESG risks within the risk management framework is based on the ECB guide on climate-related and environmental risks, the EBA report on management and supervision of ESG risks for credit institutions and investment firms and the TCFD recommendations.* • *As sustainability risk is a key risk, we formulated a Risk Appetite Statement (RAS), which includes risk indicators and risk limits to monitor sustainability risk. The Risk Management Function monitors the risk indicators for environmental risk (transition risk as well as physical risk), social risk and governance risk. These risk indicators are reported to the ExCo in the quarterly risk report.* • *We have adopted very strict sustainability policies, including policies in relation to our sustainability pillars Climate, Biodiversity, and Human Rights.* • *To find out how our activities could be linked to human rights risks in international value chains, we follow the United Nations Guiding Principles for Business and Human Rights. Our previous salient human rights risk analysis identified as one of our most salient issues a living wage in the garment industry. Therefore, our long-term objective is: By 2030, all the 15 listed brands in which we invest need to have processes in place to ensure the payment of a living wage to the workers that make the garments.*	4.9 Sustainability Risk; 2.2.4 Strategy, policies and practices (paragraph policies); 2.5.1 Other material topics

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

× Yes ☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

× Yes ☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☐ Yes × In progress ☐ No

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

× Yes Partially No

If applicable, please include the link or description of the assurance statement.

Response	Links and references
The disclosed information on principles 2.1, 2.2, 2.3 and 5.1 in this self-assessment has been assured by our independent assurer.	Independent auditor's report

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?
× GRI
 SASB
× CDP
 IFRS Sustainability Disclosure Standards
× TCFD
× Other: *Transparency Benchmark, Non-Financial Reporting Directive, Green Bond Principles 2018 (Green Bond Framework 2021)*

Response	Links and references
• *The non-financial information in the Executive Board report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, the Non-Financial Reporting Directive and with consideration of the Task Force on Climate-Related Financial Disclosures (TCFD).* • *De Volksbank received high marks for its sustainability policy from CDP, Sustainalytics, ISS ESG, MSCI and the Fair Bank Guide.*	Our approach to reporting; Key figures

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

Response	Links and references
• *The KPIs on housing and Financial Health & Inclusion, the baseline measurement and target setting will be further developed in 2023.* • *On the topic of climate, we will embed the actions formulated in the Climate Action Plan throughout the organisation.* • *The Climate-neutral balance sheet KPI will be further improved and actions will be undertaken to reach the goals by 2030. We are the first Dutch bank with approved Science-Based Targets. Also, in 2022 we published our Climate Action Plan, in which we set out our net zero 2050 goal.* • *The organisation of the PRB working group will be evaluated and potentially adjusted.*	1.3 Our strategic progress; De Volksbank Climate Action Plan 2022

6.4 Challenges

Here is short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:
 Embedding PRB oversight into governance
 Gaining or maintaining momentum in the bank
 Getting started: where to start and what to focus on in the beginning
 Conducting an impact analysis

 Assessing negative environmental and social impacts
× Choosing the right performance
 Setting targets
 Customer engagement
 Stakeholder engagement
× Data availability
× Data quality
 Access to resources
 Reporting
 Assurance
 Prioritizing actions internally

If desired, you can elaborate on challenges and how you tackling these:

Over the past 12 months, de Volksbank has made good progress on implementing the Principles. Our two key areas of focus are Climate and Housing and they have been embedded in the strategy of our bank. In 2021, we also committed the PRB's Financial Health & Inclusion topic. We have updated the Impact Analysis and reconfirmed these three significant impact areas associated with our banking portfolio. We are a frontrunner with our measurement of climate impact. Subsequently, we also use our expertise on impact measurement for the development of KPIs on Housing and Financial Health. Data quality and data availability are key and we are embedding our KPI data set in the non-financial data platform within our bank.

PRB ANNEX

Climate change mitigation

Action indicators	Output indicators	Outcome indicators	Impact indicators
Climate strategy We have a sustainability strategy in place and we have published our Climate Action Plan. Read more in Section 2.2.4 Strategy, policies and practice.	**Client engagement** We engage with clients regarding low(er) carbon practices or business models. Read more in principle 3.1 in this PRB self-assessment and Section 2.2.5 Stakeholder engagement.	**Financial volume of green assets/low-carbon technologies** The EU taxonomy regulation helps us identify whether economic activities that we finance or invest in may be considered environmentally sustainable. Read more in Section 2.5.2 EU Taxonomy.	**Reduction of GHG emissions** We monitor the reduction of our GHG emissions through our climate-neutral balance sheet, read more in Section 1.3 Our strategic progress.
Paris alignment target We have set Science Based Targets which are in line with the Paris Agreement, read more on this on the Science Based Targets Initiative website. We report on the distance to Net Zero 2050 and metrics used in our Pillar 3 Report 2022.	**Absolute financed emissions** Read more in Section 2.4.6 Material topic 6: Climate Impact for information on our financed emissions, scope 3, category 15.	**Financial volume lent to / invested in carbon intensive sectors and activities and transition finance** Read more in our Pillar 3 Report 2022 for information on our investments in carbon intensive sectors and transition finance.	**Portfolio alignment** We have set Science Based Targets, read more on this on the Science Based Targets Initiative website. We report on the alignment and distance to Net Zero 2050 in our Pillar 3 Report 2022.
Policy and process for client relationships We have policies and processes in place to work together with clients, read more in Section 2.2.4 Strategy, policies and practice and principle 3.1 in this PRB self-assessment.	**Sector-specific emission intensity** Read more in Section 2.4.6 Material topic 6: Climate Impact for information on emission intensities per sector.		
Portfolio analysis We analyse our lending and investment portfolio in terms of financed emissions regularly. Read more in Section 2.4.6 Material topic 6: Climate Impact for information on our financed emissions, scope 3, category 15. Or read more in Section 4.9 Sustainability Risk for information on carbon-intensive sectors in our portfolio.	**Proportion of financed emissions covered by a decarbonisation target** We have set Science Based Targets, read more on this on the Science Based Targets Initiative website. We report on the proportion of financed emissions and gross carrying amount covered by our targets in our Pillar 3 Report 2022.		
Business opportunities and financial products We have several products in place tailored to support customers' reduction in GHG emissions. Read more in principle 3.2 in this PRB self-assessment.			

Financial health

Action indicators	Output indicators	Outcome indicators	Impact indicators
# of products and services in the portfolio with a focus on financial health We have several products and services in our portfolio with a focus on financial health, however we do not monitor this indicator.	**# of individuals supported with dedicated and effective financial and/or digital education initiatives** We have supported several children with financial education and provided e-learnings and training about cybersecurity, read more in Section 2.5.1 Other material topics.	**% of individuals with a good and/or very good level of financial skills** We do not monitor this indicator.	**% of customers with a high level of financial health** We do not monitor this indicator.
% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health Everyone at de Volksbank is required to complete a basic course on the Financial Supervision Act. Employees in our Financial Health department complete more specific trainings, which is not monitored. We do monitor the percentage of advisers who are certified sustainable housing adviser.	**% of customers actively using the online/mobile banking platform/ tools** We monitor this indicator internally.	**% of customers who use the bank's services to create a financial action plan with the bank** We do not monitor this indicator.	**% of customers for which spending exceeded 90% of inflows for more than 6 months last year** We do not monitor this indicator.
# of partnerships active to achieve financial health and inclusion targets See Section 2.2.4 Strategy, policies and practices for more information about our membership associations and collaborations.		**% of customers using overdraft regularly** We do not monitor this indicator.	**% of customers that feel confident about their financial situation in the next 12 months** We monitor the amount of customers that experienced financial difficulties in the last 12 months internally. Moreover, we engage with customers of whom we expect they will experience financial difficulties in the next 12 months. Read more in Section 2.5.1 Other material topics.
		% of customers with a non-performing loan See Section 4.3 Credit risk for information about our Stage 3 loans, residential mortgages and SME loans.	**% of customers with products connected to long-term saving and investment plans** We monitor this indicator internally.
		% of customers showing an increase or stable amounts in savings, deposit and/or investment account balances, quarter on quarter We monitor this indicator internally.	**% of customers that would struggle to raise emergency funds or cover with insurance a major unexpected expense** We do not monitor this indicator.

Financial inclusion

Action indicators	Output indicators	Outcome indicators	Impact indicators
# of products and services in the portfolio with a focus on financial inclusion We have products and services with a focus on financial inclusion, e.g. for high-rent tenants and visually impaired, however, we do not monitor this indicator specifically.	**# of individuals supported with dedicated and effective financial and/or digital education initiatives** We have supported several children with financial education and provided e-learnings and training about cybersecurity, read more in Section 2.5.1 Other material topics.	**% of individuals with a good and/or very good level of financial skills** We do not monitor this indicator.	**% of customers with 2 or more active financial products, from different categories, with the bank** We monitor our KPI active multi-customer, read more in Section 1.3 Our strategic progress.
% of relevant employees supported with effective training on financial inclusion, responsible credit and/or financial health Everyone at de Volksbank is required to complete a basic course on the Financial Supervision Act. Employees in our Financial Health department complete more specific trainings, which is not monitored. We do monitor the percentage of advisers who are certified sustainable housing adviser.	**% of customers with effective access to a basic banking product** We do not monitor this indicator.	**% of customers supported with dedicated customer journey/advisory services** We do not monitor this indicator specifically, however, we do have a Preventive Management department, read more in Section 4.3 Credit risk.	
# of partnerships active to achieve financial health and inclusion targets See Section 2.2.4 Strategy, policies and practices for more information about our membership associations and collaborations.	**# of new customers per month** We monitor the number of new customer per month internally, we report about this indicator every year, read more in Section 1.4 Our business performance.	**% of customers actively using the online/mobile banking platform/tools** We monitor this indicator internally, for example, we monitor if customers used our app in the last 3 months.	

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION/DIRECT ANSWER	OMISSION
GRI 1	**Statement of use**	De Volksbank N.V. has reported in accordance with the GRI Standards for the period starting on 1 January 2022 and lasting up to and including 31 December 2022.	
GRI 2	**General Disclosures 2021**		
2-1	Organisational details	Financial statements: General information Company profile	
2-2	Entities included in the organisation's sustainability reporting	Our approach to reporting Financial statements: Notes to the consolidated financial statements	
2-3	Reporting period, frequency and contact point	2.2.1 Our organisation and our reporting practice Our approach to reporting	
2-4	Restatements of information	2.2.1 Our organisation and our reporting practice Our approach to reporting	
2-5	External assurance	Assurance report of the independent auditor	
2-6	Activities, value chain and other business relationships	2.2.2 Our activities and employees	
2-7	Employees	2.2.2 Our activities and employees	
2-8	Workers who are not employees	2.2.2 Our activities and employees	
2-9	Governance structure and composition	3.1 Supervisory Board and Executive Committee 3.2 Report of the Supervisory Board	
2-10	Nomination and selection of the highest governance body	3.1 Supervisory Board and Executive Committee	
2-11	Chair of the highest governance body	3.1 Supervisory Board and Executive Committee	
2-12	Role of the highest governance body in overseeing the management of impacts	3.5 Sustainability Governance	
2-13	Delegation of responsibility for managing impacts	3.5 Sustainability Governance	
2-14	Role of the highest governance body in sustainability reporting	2.3 Material topics 3.2 Report of the Supervisory Board	
2-15	Conflicts of interest	3.1 Supervisory Board and Executive Committee	
2-16	Communication of critical concerns	2.2.4 Strategy, policies and practices	
2-17	Collective knowledge of the highest governance body	3.2 Report of the Supervisory Board	
2-18	Evaluation of the performance of the highest governance body	3.2 Report of the Supervisory Board	
2-19	Remuneration policies	3.4 Remuneration report	
2-20	Process to determine remuneration	3.4 Remuneration report	
2-21	Annual total compensation ratio	3.4 Remuneration report	
2-22	Statement on sustainable development strategy	Foreword of the CEO 2.2.4 Strategy, policies and practices	
2-23	Policy commitments	2.2.4 Strategy, policies and practices 3.5 Sustainability Governance	
2-24	Embedding policy commitments	2.2.4 Strategy, policies and practices 3.5 Sustainability Governance	
2-25	Processes to remediate negative impacts	2.2.4 Strategy, policies and practices 2.3 Material topics	
2-26	Mechanisms for seeking advice and raising concerns	2.2.4 Strategy, policies and practices	
2-27	Compliance with laws and regulations	2.2.4 Strategy, policies and practices 2.4.7 Compliance with laws and regulations 4.5 Non-financial risks	The total number of significant instances of non-compliance with laws and regulations cannot be disclosed as de Volksbank as this is not registered

GRI STANDARD	DISCLOSURE	LOCATION/DIRECT ANSWER	OMISSION
			fully (from a completeness perspective). We do have a solid Compliance Function in place whose mission it is to enhance safe and ethical banking with a human touch, next to adherence to laws and regulations. The Compliance Function continuously monitors compliance with laws, regulations and internal policies. More information can be found in Section 4.5.2 'Types of risk and areas of focus'. In 2022 de Volksbank did not record significant fines or non-monetary sanctions due to non-compliance with laws and/or regulations.
2-28	Membership associations	2.2.4 Strategy, policies and practices	
2-29	Approach to stakeholder engagement	2.2.5 Stakeholder engagement	
2-30	Collective bargaining agreements	2.2.2 Our activities and employees	
GRI 3	Material Topics 2021		
3-1	Process to determine material topics	2.3.1 Our materiality assessment	
3-2	List of material topics	2.3.2 Material topics	
MT 1	**Fair, transparent and sustainable products**		
3-3 Management of material topics:	a. Actual and potential, positive and negative impact on the economy, environment and people	2.4.1 Material topic 1: Fair, transparent and sustainable products	
	b. Report if the organisation is involved with the negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships	2.4.1 Material topic 1: Fair, transparent and sustainable products	
	c. Describe the policies or commitments regarding the material topic	2.2.4 Strategy, policies and practices 2.4.1 Material topic 1: Fair, transparent and sustainable products	
	d. Describe actions taken to manage the topic and related impacts	2.4.1 Material topic 1: Fair, transparent and sustainable products	
	e. Report information about tracking the effectiveness of the actions taken	1.2.2 Strategy 2021-2025 2.4.1 Material topic 1: Fair, transparent and sustainable products	
	f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective	2.2.5 Stakeholder engagement 2.4.1 Material topic 1: Fair, transparent and sustainable products	
Own indicator	KPI active multi-customer	1.3 Our Strategic Progress	
Own indicator	KPI Net Promoter Score	1.3 Our Strategic Progress	
Own indicator	KPI Customer Relationship Score	1.3 Our Strategic Progress	
MT 2	**Customer relationship and service**		
3-3 Management of material topics:	a. Actual and potential, positive and negative impact on the economy, environment and people	2.4.2 Material topic 2: Customer relationship and service	
	b. Report if the organisation is involved with the negative impacts through its activities or as a result of its	2.4.2 Material topic 2: Customer relationship and service	

GRI STANDARD	DISCLOSURE	LOCATION/DIRECT ANSWER	OMISSION
	business relationships and describe the activities or business relationships c. Describe the policies or commitments regarding the material topic	2.2.4 Strategy, policies and practices 2.4.2 Material topic 2: Customer relationship and service	
	d. Describe actions taken to manage the topic and related impacts	2.4.2 Material topic 2: Customer relationship and service	
	e. Report information about tracking the effectiveness of the actions taken	1.2.2 Strategy 2021-2025 1.3 Our Strategic Progress 2.4.2 Material topic 2: Customer relationship and service	
	f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective	2.2.5 Stakeholder engagement 2.4.2 Material topic 2: Customer relationship and service	
Own indicator	KPI active multi-customer	1.3 Our Strategic Progress	
Own indicator	KPI Net Promoter Score	1.3 Our Strategic Progress	
Own indicator	KPI Customer Relationship Score	1.3 Our Strategic Progress	
MT 3	**Data privacy and security**		
3-3 Management of material topics:	a. Actual and potential, positive and negative impact on the economy, environment and people	2.4.3 Material topic 3: Data privacy and security	
	b. Report if the organisation is involved with the negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships	2.4.3 Material topic 3: Data privacy and security	
	c. Describe the policies or commitments regarding the material topic	2.2.4 Strategy, policies and practices 2.4.3 Material topic 3: Data privacy and security	
	d. Describe actions taken to manage the topic and related impacts	2.4.3 Material topic 3: Data privacy and security	
	e. Report information about tracking the effectiveness of the actions taken	4.1.3 Risk appetite and risk indicators	
	f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective	2.2.5 Stakeholder engagement 2.4.3 Material topic 3: Data privacy and security	
GRI 418-1: Customer privacy 2016	Substantiated complaints concerning breaches of customer privacy and losses of customer data	2.4.3 Material topic 3: Data privacy and security	We do consolidate and analyse all customer complaints and we do have an indicator for data leaks. However, we do not yet have the intended indicator for privacy complaints available. During 2021, we analysed, together with the relevant internal stakeholders, the possibilities of starting to collect and disclose the required information. In 2022, we continued this process, with the specific goal of reporting this information in 2023 or 2024.
MT4	**Responsible investment and financing**		
3-3 Management of material topics:	a. Actual and potential, positive and negative impact on the economy, environment and people	2.4.4 Material topic 4: Responsible investment and financing	

GRI STANDARD	DISCLOSURE	LOCATION/DIRECT ANSWER	OMISSION
	b. Report if the organisation is involved with the negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships	2.4.4 Material topic 4: Responsible investment and financing	
	c. Describe the policies or commitments regarding the material topic	2.2.4 Strategy, policies and practices 2.4.1 Material topic 1: Fair, transparent and sustainable products	
	d. Describe actions taken to manage the topic and related impacts	2.4.4 Material topic 4: Responsible investment and financing	
	e. Report information about tracking the effectiveness of the actions taken	1.3 Our Strategic Progress 2.4.4 Material topic 4: Responsible investment and financing	
	f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective	2.2.5 Stakeholder engagement 2.4.4 Material topic 4: Responsible investment and financing	
Own indicator	KPI Climate-neutral balance sheet	2.4.4 Material topic 4: Responsible investment and financing 2.4.6 Material topic 6: Climate impact	
Own indicator	KPI Biodiversity	2.4.4 Material topic 4: Responsible investment and financing Annual Review: Chapter: ASN Bank – Aanjager van duurzaamheid	
Own indicator	KPI Living wage	2.4.4 Material topic 4: Responsible investment and financing	
MT 5	**Responsible financial results**		
3-3 Management of material topics:	a. Actual and potential, positive and negative impact on the economy, environment and people	2.4.5 Material topic 5: Responsible financial results	
	b. Report if the organisation is involved with the negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships	2.4.5 Material topic 5: Responsible financial results	
	c. Describe the policies or commitments regarding the material topic	2.2.4 Strategy, policies and practices 2.4.5 Material topic 5: Responsible financial results	
	d. Describe actions taken to manage the topic and related impacts	2.4.5 Material topic 5: Responsible financial results	
	e. Report information about tracking the effectiveness of the actions taken	2.4.5 Material topic 5: Responsible financial results 1.2.2 Strategy 2021-2025	
	f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective	2.4.5 Material topic 5: Responsible financial results 2.2.5 Stakeholder engagement	
GRI 201-1: Economic performance 2016	Direct economic value generated and distributed	1.4.2 Financial results	
GRI 201-2: Economic performance 2016	Financial implications and other risks and opportunities due to climate change	2.4.5 Material topic 5: Responsible financial result 4.9 Sustainability Risk	
MT 6	**Climate impact**		
3-3 Management of material topics:	a. Actual and potential, positive and negative impact on the economy, environment and people	2.4.6 Material topic 6: Climate impact	
	b. Report if the organisation is involved with the negative impacts through	2.4.6 Material topic 6: Climate impact	

GRI STANDARD	DISCLOSURE	LOCATION/DIRECT ANSWER	OMISSION
	its activities or as a result of its business relationships and describe the activities or business relationships c. Describe the policies or commitments regarding the material topic	2.2.4 Strategy, policies and practices 2.2.6 Material topic 6: Climate impact	
	d. Describe actions taken to manage the topic and related impacts	2.4.6 Material topic 6: Climate impact	
	e. Report information about tracking the effectiveness of the actions taken	2.4.6 Material topic 6: Climate impact	
	f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective	2.2.5 Stakeholder engagement 2.4.6 Material topic 6: Climate impact	
Own indicator	KPI Climate-neutral balance sheet	2.4.6 Material topic 6: Climate impact	
GRI 305-1: Emissions 2016	Direct (Scope 1) GHG emissions	2.5.3 Key environmental data of our own business operations	
GRI 305-2: Emissions 2016	Energy indirect (Scope 2) GHG emissions	2.5.3 Key environmental data of our own business operations	
GRI 305-3: Emissions 2016	Other indirect (Scope 3) GHG emissions	2.5.3 Key environmental data of our own business operations	
GRI 305-4: Emissions 2016	GHG emissions intensity	2.5.3 Key environmental data of our own business operations	
GRI 305-5: Emissions 2016	Reduction of GHG emissions	2.5.3 Key environmental data of our own business operations	
MT 7	**Compliance with laws and regulations**		
3-3 Management of material topics:	a. Actual and potential, positive and negative impact on the economy, environment and people	2.4.1 Material topic 7: Compliance with laws and regulations	
	b. Report if the organisation is involved with the negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships	2.4.1 Material topic 7: Compliance with laws and regulations	
	c. Describe the policies or commitments regarding the material topic	2.2.4 Strategy, policies and practices 2.4.1 Material topic 7: Compliance with laws and regulations	
	d. Describe actions taken to manage the topic and related impacts	2.4.1 Material topic 7: Compliance with laws and regulations	
	e. Report information about tracking the effectiveness of the actions taken	1.2.2 Strategy 2021-2025 2.4.1 Material topic 7: Compliance with laws and regulations	
	f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective	2.2.5 Stakeholder engagement 2.4.1 Material topic 7: Compliance with laws and regulations	
MT 8	**Social engagement, cooperation and entrepreneurship**		
3-3 Management of material topics:	a. Actual and potential, positive and negative impact on the economy, environment and people	2.4.8 Material topic 8: Social engagement, cooperation and entrepreneurship	
	b. Report if the organisation is involved with the negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships	2.4.8 Material topic 8: Social engagement, cooperation and entrepreneurship	
	c. Describe the policies or commitments regarding the	2.2.4 Strategy, policies and practices	

GRI STANDARD	DISCLOSURE	LOCATION/DIRECT ANSWER	OMISSION
	material topic d. Describe actions taken to manage the topic and related impacts	2.4.8 Material topic 8: Social engagement, cooperation and entrepreneurship 2.4.8 Material topic 8: Social engagement, cooperation and entrepreneurship	
	e. Report information about tracking the effectiveness of the actions taken	1.2.2 Strategy 2021-2025 2.4.8 Material topic 8: Social engagement, cooperation and entrepreneurship	
	f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective	2.2.5 Stakeholder engagement 2.4.8 Material topic 8: Social engagement, cooperation and entrepreneurship	

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

As from 2020, de Volksbank structures its disclosure on sustainability risks along the lines of the TCFD guidelines. The TCFD specifically covers climate-related risks. Even so, we also include social and governance risks in our sustainability risk management, in addition to environmental risks such as climate-related risks. Hence, these social and governance risks are also included in our sustainability risk disclosures. All TCFD pillars are discussed in this Annual Report.

TCFD Disclosures	Section
Governance	
Board oversight	3.5
Role of management	3.5
Strategy	
Climate-related risk and opportunities	2.4.5 & 4.9
Impact on our business	2.2.4 & 4.9
Resilience of our strategy	2.2.4 & 4.9
Risk management	
Identifying and assessing risks	4.9
Managing risks	4.9
Integration of risk management in overall risk management framework	4.9
Metrics & targets	
Metrics used	2.2.4
Greenhouse gas emissions	2.4.6 & 2.5.3
Targets to manage risks	2.2.4

DEFINITIONS USED IN THIS REPORT

Term	Definition
AC	Audit Committee of the supervisory board of de Volksbank N.V.
Advanced Internal Ratings Based (AIRB)	The highest and most detailed method for calculating the capital requirements for credit risk under Basel II on the basis of internal credit risk models.
AGM	Annual general meeting of shareholders of de Volksbank N.V.
Asset & Liability Committee (ALCO)	Risk committee that takes decisions on how to optimally control interest income, capital and the liquidity position. The ALCO is also responsible for identification, controlling and management of these risks with a view to achieving long-term growth.
Arrears Management	Service centre that deals with files of customers in arrears.
Basel III	The third set of Basel accords, which was developed in response to the financial crisis of the late 2000's. The Basel III standards prescribe higher and better-quality capital, better risk coverage and the introduction of a maximum leverage ratio.
Basis point (bps)	One hundredth of 1 percentage point.
Business risk	The risk that business earnings and franchise value decline and/or deviate from expectations because of uncertainty in business income or in the expenses incurred to generate business income.
Capital adequacy	Measure of a company's financial strength, often expressed in equity as a percentage of balance sheet total or – for banks – in the BIS ratio.
Capital adequacy risk	The risk that the capital position is insufficient to serve as a buffer for the occurrence of unexpected losses that may arise if one or more risks to which the Company is exposed manifest themselves.
CO_2	A greenhouse gas that is produced primarily through the burning of fossil fuels and that contributes to climate change. Also known as carbon dioxide.
Compliance risk	The risk that the Company and / or its employees do not completely or accurately comply with the (ratio) of written and unwritten rules of corporate integrity and conduct and may be held responsible for such conduct, which may lead to loss of reputation and / or financial loss.
Concentration risk	The risk arising from large individual exposures or accumulation of similar individual exposure (s) within or between categories of risks.
Cost/income ratio / Adjusted cost/income ratio	Total operating expenses adjusted for the impact of regulatory levies divided by total income / Total operating expenses adjusted for the impact of regulatory levies and the impact of incidental items (gross amounts) divided by total income adjusted for the impact of incidental items.
Cost/assets ratio as a % of average assets / Adjusted cost/assets ratio as a % of average assets	Operating expenses adjusted for regulatory levies divided by average month-end total assets for the reporting period / Operating expenses adjusted for regulatory levies and incidental items divided by average month-end total assets for the reporting period.
Core Tier 1-ratio	The bank's core capital, excluding preference shares, expressed as a percentage of total risk exposure amount.
Coverage ratio	The coverage ratio gives the coverage of the IFRS loan loss provision formed in relation to the gross carrying amount of the loans, expressed as a percentage.
Covered bonds (CB)	Covered bonds (CB) are secured long-term funding Instruments (bonds). This type of bond differs from a standard bond by recourse to a pool of assets (cover assets). In a default event, the bondholder has recourse to the issuer and this pool of assets.
Cost of risk	Impairment charges divided by average month-end portfolio exposure for the reporting period.
Credit Committee	Risk committee that is responsible for controlling credit risks within the frameworks and within the planning and budgeting cycle. The CC controls and monitors the development of credit risk in the portfolios.
Credit rating	Assessment of a credit rating agency expressed in a combination of letters and/or figures indicating the creditworthiness of a country, company or institution.
Credit risk	The risk that the Company suffers a financial loss or a material decrease in solvency, due to the fact that a borrower/counterparty does not meet a financial or other contractual obligation to the Company or due to a material deterioration of the creditworthiness of that borrower/counterparty.
Credit Valuation Adjustment (CVA)	The market value of counterparty credit risk compared to the (total) market value of a derivative.
de Volksbank	de Volksbank N.V.
Duration of equity	The duration of equity indicates the sensitivity of the market value of equity to a 1% parallel change in the yield curve.

Term	Definition
Economic capital	An estimate of the amount of capital that the bank should possess in order to be able to sustain larger-than-expected losses with a given level of certainty.
Encumbered assets	Assets that were pledged or subject to an arrangement, either explicitly or implicitly, in any way to secure, collateralise or credit enhance a transaction.
Executive board	The executive board of de Volksbank (statutair bestuur), consisting of the Executive Board members
Executive committee	The executive committee of de Volksbank, consisting of the Executive Board members and Senior Executives
Executive Pricing Committee (EPC)	Risk committee that aims for a sustainably profitable portfolio by weighing volume, risk and return within the frameworks of external regulations, risk policy and our Manifesto.
Exposure at Default (EAD)	The EAD is the expected counterparty credit exposure at the time of default.
Forbearance	Forbearance exist if a debtor is having difficulty or is about to encounter difficulties complying with their financial obligations and their contract terms have been changed or the loan has been refinanced as a result.
Hedging	Complete or partial hedging of a financial position by entering into a transaction of which the change in value moves in the opposite direction of the change in value of the original position, often through derivatives.
In arrears	A customer is in arrears if the payment of any interest and/or redemption amount is past due one day after the agreed payment date.
In default	A customer is in default once three monthly instalments have not been paid and the past-due amount exceeds a threshold value. A customer also goes into default if we consider it unlikely that the customer will be able to comply with his or her obligations in the future.
Interest rate risk banking book	The current or prospective risk to the economic value, capital and earnings of the banking book arising from adverse movements in interest rates.
International Financial Reporting Standards (IFRS)	The IFRS, formerly known as International Accounting Standards (IAS), are drawn up and recommended by the International Accounting Standards Board. With effect from the financial year 2005, all listed companies in the EU are required to report under IFRS.
Legal risk	The risk related to a failure to adhere to (i) applicable laws and regulations or unexpected interpretation thereof, (ii) agreements; and related to (iii) non-contractual liability, resulting in financial loss, regulatory sanctions or damage to the Company's reputation. As a result, the Company may be held liable for any current and future claims or may incur damages itself, for example as a result of incorrectly drawn up contracts or incorrect product documentation.
Liquidity Coverage Ratio (LCR)	The Liquidity Coverage Ratio (LCR) is an indicator that provides insight into whether sufficient liquid assets are available to absorb a 30-day stress scenario.
Liquidity risk	The risk that there are insufficient liquid assets available in the short term to meet financial obligations, whether under normal circumstances or in times of stress, without this being accompanied by unacceptable costs or losses. In addition, liquidity risk is understood to mean the likelihood that the balance sheet structure will develop in such a way that the Company is excessively exposed to disruptions in its funding sources.
Loan-to-Deposit ratio	Loans and advances to retail customers divided by amounts due to retail customers.
Market risk	The risk that equity, the result or continuity is threatened by movements in the level and/or volatility of market prices to which the Company is exposed.
Model Governance Committee (MGC)	Risk committee that monitors the quality and uniformity of all financial risk and valuation models.
Model risk	The risk of making decisions based on inadequate or erroneous model output, caused by improper implementation, application or interpretation of the models.
MoU	Memorandum of Understanding as mutually agreed upon by NLFI and de Volksbank N.V.
Net interest margin (bps)	Net interest income divided by average month-end total assets for the reporting period.
Net Stable Funding Ratio (NSFR)	The NSFR aims to determine the extent to which longer-term assets are funded with stable forms of funding.
NLFI	NL Financial Investments; Stichting administratiekantoor beheer financiële instellingen.
Operational risk	The risk of direct or indirect loss resulting from inadequate or failed internal processes and systems, from human failures or errors, or external events such as fraud or criminal acts.
Options	The contractual right, during a certain period or on a specified date, to purchase (call option) or to sell (put option) a certain number of underlying shares or currency at an agreed price.
P&OC	People and Organisation Committee of the supervisory board of de Volksbank N.V.

Term	Definition
Preventive management	A joint project of SNS, RegioBank and BLG Wonen that provides customers with looming payment problems with preventive assistance.
R&CC	Risk and Compliance Committee of the supervisory board of de Volksbank N.V.
Repo	A repo, also known as a repurchase agreement, is the sale of securities together with an agreement for the seller to buy back the securities at a certain date.
Reporting risk	The risk that the financial and / or non-financial reporting of the institution contains incorrect or incomplete information of substantial importance, or that internal and external stakeholders cannot take note of in a timely manner.
Reputation risk	The risk that the institution's reputation is tarnished and targets are not met because insufficient account is taken of the Company's image and opinion shared by the outside world (including customers, counterparties, shareholders and regulators).
Residential Mortgage Backed Securities (RMBS)	RMBS, or mortgage securitisations, are secured long-term funding instruments. A pool of underlying assets, in this case own-originated residential mortgages, provides the cashflows to bondholders.
Return on equity (ROE) / adjusted ROE	Net result divided by average month-end total equity for the reporting period. / Net result adjusted for incidental items divided by average month-end total equity for the reporting period.
Stage ratio	The gross carrying amount of loans in a certain stage as a percentage of by the total gross carrying amount of loans.
(Bank)savings mortgages	Savings-based mortgages are mortgages with an insurance-linked savings scheme whereby the accumulated capital will be used to repay the principal at maturity. A bank savings-based mortgage operates on the same principle, except it is linked to a bank savings account.
Senior Executives	A member of the Executive Committee, not being a member of the Executive Board
Securitisation	Structuring and bundling debts and trading them in the form of securities.
Standardised approach	The standardised approach for credit risk calculates the credit risk according to a standardised methodology, using external credit assessments.
Stress test	A method of testing a system's or entity's stability when exposed to exceptional conditions by means of a simulation.
the Code	The Dutch Corporate Governance Code
the Code of Conduct	the 'Common Sense, Clear Conscience' code of conduct of de Volksbank N.V.
the SB	the Supervisory Board of de Volksbank N.V.
the Secretary	the Company Secretary of de Volksbank N.V.

ABBREVIATIONS USED IN THIS REPORT

Abbreviations	Description	Abbreviations	Description
AC	Audit Committee of the SB	ES	Expected Shortfall
AFM	The Netherlands Authority for the Financial Markets	ESEF	European Single Electronic Format
AGM	Annual General Meeting	ESG	Environmental, Social and Governance
AIRB	Advanced Internal Rating Based	EU	European Union
ALCO	Asset & Liability Committee	EVE	Economic Value of Equity
ALM	Asset Liability Management	ExBo	Executive Board of de Volksbank N.V.
AMLD	Anti-Money Laundering Directive	ExCo	Executive Committee of de Volksbank N.V.
APM	Alternative Performance Measure	FATCA	Foreign Account and Tax Compliance Act
BCBS	Basel Committee for Banking Supervision	FTE	Full Time Equivalent
Bps	Basispoints	GAR	Green Asset Ratio
BRRD	Bank Recovery and Resolution Directive	GDP	Gross Domestic Product
CAAR	Capital Adequacy Assessment Report	GDPR	General Data Protection Regulation (AVG)
CAS	Capital Adequacy Statement	HTM	Horizontal Tax Monitoring
CBR	Combined Buffer Requirement	IAS	International Accounting Standard
CBS	Statistics Netherlands	ICAAP	Internal Capital Adequacy Assessment Process
CC	Credit Committee	ICF	Integrated Control Framework
CCO	Chief Customer Officer	IFRS	International Financial Reporting Standards
CCP	Central counterparty	ILAAP	Internal Liquidity Adequacy Assessment Process
CD	Certificates of Deposit	IRB	Internal Rating Based (approach)
CDS	Credit Default Swap	ISDA	International Swaps and Derivatives Association
CEO	Chief Executive Officer	IT	Information Technology
CFO	Chief Financial Officer	JST	Joint Supervisory Team
CIO	Chief Information Officer		
CLA	Collective Labour Agreement	KPI	Key Performance Indicator
CO2	Carbon dioxide	KRI	Key Risk Indicator
COO	Chief Operations Officer	KRS	Customer Relationship Score
CPB	Netherlands Bureau voor Economic Policy Analysis	LAAR	Liquidity Adequacy Assessment Report
CPOO	Chief People & Organisation Officer	LCR	Liquidity Coverage Ratio
CRD	Capital Requirements Directive	LGD	Loss Given Default
CRO	Chief Risk Officer	LGF	Loss Given Failure
CRR	Capital Requirements Regulation	LtV	Loan to value
CRS	Common Reporting Standard	MBS	Mortgage Backed Securities
CSA	Credit Support Annex	MDA	Maximum Distributable Amount
CTO	Chief Transformation Officer	MGC	Model Governance Committee
CVA	Credit Valuation Adjustment	MoU	Memorandum of Understanding
DGF	Deposit Guarantee Fund	MREL	Minimum Requirement for own funds and eligible liabilities
DNB	Dutch Central Bank	NEUCP	Negotiable European Commercial Paper
DoD	Definition of Default	NFRD	Non-Financial Reporting Directive
DPG	Deposit Guarantee Scheme	NHG	National Mortgage Guarantee
EAD	Exposure at Default	NLFI	NL Financial Investments; Stichting administratiekantoor beheer financiële instellingen
EaR	Earnings-at-Risk	NPE	Non-performing exposures
EBA	European Banking Authority	NPS	Net Promoter Score
EC	European Commission	NRF	National Resolution Fund
ECB	European Central Bank	NSFR	Net Stable Funding Ratio
ECL	Expected Credit Loss	NVB	Dutch Banking Association
ECP	Euro Commercial Paper	OCR	Overall Capital Requirement
EMTN	European Medium Term Note	OECD	Organisation for Economic Co-operation and Development

Abbreviations	Description	Abbreviations	Description
PARP	Product Approval and Review Process	SME	Small and medium-sized enterprises
PCAF	Partnership for Carbon Accounting Principles	SNP	Senior Non-Preferred
PD	Probability of Default	SPV	Special Purpose Vehicle
PHIRM	Particuliere Hypotheken Interne Rating Model	SRA	Strategic Risk Assessment
PIT	Point-in-Time	SRB	Single Resolution Board
P&OC	People and Organisation Committee of the SB	SREP	Supervisory Review and Evaluation Process
PRB	Principles for Responsible Banking	SRF	Single Resolution Fund
RAS	Risk Appetite Statement	SRMR	Single Resolution Mechanism Regulation
RBB	Regulation on Sound Remuneration Policies	€STR	Euro Short-term Rate
R&CC	Risk and Compliance Committee of the SB	TCFD	Task Force on Climate Related Financial Disclosures
RMC	Risk Management Cycle	TMNL	Transaction Monitoring Netherlands
ROE	Return on Equity	UtP	Unlikely-to-Pay
RWA	Risk Weighted Assets	VaR	Value at Risk
SA	Standardised Approach	VAT	Value Added Tax
SB	Supervisory Board of de Volksbank N.V.	Wft	Financial Supervision Act
SDG	Sustainable Development Goal	WfZ	Guarantee fund for the health care
SEC	Sustainability Expertise Centre	WSW	Social Housing Guarantee Fund
SIC	Social Impact Committee	Wwft	Money Laundering and Terrorist Financing (Prevention) Act
SICR	Significant Increase in Credit Risk since initial recognition		

DEFINITION AND METHODOLOGY OF STRATEGIC KPIS

The quantitative and qualitative information in this IAR and the Annual Review 2022 was collected on the basis of qualitative interviews and quantitative data requests. For this purpose, we consulted those responsible within the business units and staff departments (project managers, policy officers, programme managers, etc.). Additional information, such as data on the composition of our mortgage portfolio, information on employees and environmental performance, was retrieved from central or specific information systems. The aforementioned method for measurement, estimations and calculations is relevant for all indicators related to the most material topics, unless stated otherwise.

The internal control mechanism is based on multiple levels of control. The Advisory Team Sustainability is involved in checking and reviewing information in the draft reports. The Social Impact Committee reviews and approves the content before the Executive Committee, AC and Supervisory Board give their final approval.

In this IAR we presented the progress and results of our strategic KPIs, see Section 1.3 Strategic Progress. In the table below we provide more details about the definition, used methodology and calculation methods of these strategic KPIs.

	Strategic KPI	Definition
1	Customer-weighted average NPS	The customer-weighted NPS involves the retail customer expressing a satisfaction rating (in terms of probability of recommendation). The higher the score, the more satisfied the customer is.
2	Active multi-customers	An active multi-customer is a customer with a current account and at least one product from another product group. Both retail and corporate customers can be considered an active multi-customer.
3	Customer-weighted average KRS	The customer-weighted average KRS involves the retail customers expressing a relationship rating (in terms of satisfaction, trust and brand love). The higher the score, the stronger the perceived relationship is.
4	Genuine attention	The extent to which employees feel they are given genuine attention, based on five themes (mission & strategy, trust, open & people oriented, facilitating leadership and professionalism & personal growth).
5	Climate-neutral balance sheet	Our balance sheet is climate neutral when we avoid, reduce or eliminate as much CO_2 emissions as we emit. From 2021 onwards our climate-neutral balance sheet is calculated with the PCAF methodology. Read more about this KPI below.

1. CUSTOMER-WEIGHTED AVERAGE NPS

De Volksbank measures the customer-weighted Net Promoter Score (NPS), a customer-loyalty metric, for all its brands on a quarterly basis. The survey is conducted by an external party which draws a representative sample from an external consumer panel for each brand. The sample size varies per brand and ranges from 500 to 1,000 customers. The customer-weighted NPS indicates the ratio between the so-called detractors and promoters on a scale from 1 to 10. Respondents are grouped as follows: 'Detractors' (scores 0 - 6), customers are unhappy and can damage de Volksbank's brand and impede growth through negative word-of-mouth. 'Passives' (scores 7 - 8), customers are satisfied but unenthusiastic and are vulnerable to competitive offerings. 'Promoters' (scores 9 - 10), customers are loyal enthusiasts who will keep buying and refer others, fuelling growth. By subtracting the percentage of detractors from the percentage of promoters the NPS per brand is calculated, this figure can be somewhere between -100% and +100%. The total result of the NPS for de Volksbank is calculated as a weighted average based on the total number of retail customers per brand and is reported based on the last quarter's results.

NPS reporting per brand is also based on last quarter's reporting period. The calculation for the weighted average NPS for de Volksbank only considers the total number of retail customers per brand; corporate customers are excluded. The weighted average is based on the number of customers at the end of the middle month of each quarter, aligning the NPS's measurement method that reflects the average for the relevant quarter of retail customers only.

2. ACTIVE MULTI-CUSTOMERS

The KPI Active multi-customer is measured every month using our internal data systems. An active multi-customer is a customer with a current account and at least one product from another product group. Both retail and corporate customers can be considered an active multi-customer. An active current account is a current account on which the customer initiated at least ten transactions for three months in a row. For customers under the age of 18, five transactions for three months in a row is enough.

3. CUSTOMER-WEIGHTED AVERAGE KRS

The customer-weighted average Customer Relationship Score (KRS) for all banking brands (SNS, ASN Bank, RegioBank) is measured on a quarterly basis. The customer-weighted average Net Promotor Score (NPS) (3) is measured for all brands (SNS, ASN Bank, RegioBank, BLG Wonen), also on a quarterly basis. Both metrics are measured in the same survey. The survey is conducted by an external party which draws a representative sample from an external consumer panel for each brand. The sample size varies per brand and ranges from 500 to 1,000 customers. The customer-weighted average KRS is based on the customers' satisfaction, trust and brand love regarding their bank. With an extended matrix the strength of the relationship is calculated. The calculation results in a 6-point scale representing the strength of the relationship: Very weak (1), Weak (2), Moderate (3), Fairly strong (4), Strong (5), Very strong (6).

The stronger the perceived relationship, the more likely the customer is to stay as a customer, to buy more products and services, to share more personal data, to recommend de Volksbank to others and to help making social impact together. The total result of the customer-weighted average KRS for de Volksbank is calculated as a weighted average based on the total number of retail customers per brand and is reported based on the average of the whole year.

KRS reporting per brand is also based on average year's reporting period. The calculation for the customer-weighted average KRS for de Volksbank only considers the total number of retail customers per brand; corporate customers are excluded. The weighted average is based on the number of customers at the end of the middle month of each quarter, aligning the customer-weighted average KRS's measurement method that reflects the average for the relevant quarter of retail customers only.

4. GENUINE ATTENTION

The KPI genuine attention is measured twice a year as part of the employee survey, which is conducted by a third party among all of de Volksbank's employees. In the survey, employees are asked whether they feel they are given genuine attention, using five themes, i.e. mission & strategy, trust, open & people oriented, facilitating leadership and professionalism & personal growth.

5. CLIMATE-NEUTRAL BALANCE SHEET

As far as the KPI for climate-neutral balance sheet is concerned, de Volksbank signed the Principles for Responsible Investments Montreal Pledge in 2015, which means that we report on the impact of our investments on the climate in a transparent way. The same goes for de Volksbank signing the Dutch Climate Agreement in June 2019, thus endorsing the reporting on its greenhouse gas (GHG) emissions from loans and investments as from 2020. We aligned our GHG reporting with our long-term goal of obtaining a climate-neutral balance sheet by 2030 at the latest, which is a KPI for de Volksbank. We apply the PCAF methodology to calculate the progress on this KPI. In this regard, we received limited assurance by an independent assurance provider on our disclosure in the Integrated Annual Review 2021.

Reporting requirements

The GHG Protocol 'Corporate Value Chain Standard' offers guidance to identify and report on emissions from relevant loans. These include emissions from loans and investments reported under scope 3, category 15: Investments, which is the banks' most material category to take into account. The results of our climate-neutral balance sheet progress are presented in a way that we coined as a Climate Profit & Loss account. It shows positive climate impacts (Emission avoidance and sequestration) and negative climate impacts (GHG emissions). In order for us to achieve full climate neutrality, the positive climate impact side must be equal or greater than the negative climate impact side. We report on our GHG emissions in our annual reports in conjunction with our full-year financial results, as well as in our Interim Financial Reports after the second quarter of each calendar year. We may also provide interim updates and standalone thematic reports when deemed relevant.

Scope

The Climate Profit & Loss account, and therefore the KPI Climate-neutral balance sheet, includes all relevant balance sheet items of de Volksbank. Tax assets, and other assets do not cause GHG emissions and are therefore set at zero emissions. Derivatives are also out of scope to avoid double counting. Tangible and intangible assets are taken into account in the emission calculations of the business operations. The rest of the accounting balance sheet (97%) is taken into account in the calculations of the climate-neutral balance sheet. The GHG emission calculations were conducted in collaboration with Guidehouse, a provider of consultancy services, and are performed in accordance with the GHG Protocol's operational control approach. In our GHG accounting and reporting, we follow the principles of relevance, completeness, consistency, transparency and accuracy. Furthermore, financed emissions are always accounted for with the prudence principle in mind.

Reporting

All seven gases under the Kyoto protocol are taken into account and expressed in CO2 equivalents using the 100-year time horizon global warming potentials as determined by the Intergovernmental Panel on Climate Change (IPCC). We disclose the absolute emissions (scope 1 and 2 combined) of our loans and investments. When relevant, we also disclose financed scope 3 emissions. Avoided emissions and carbon removals are calculated and reported separately from caused emissions. Apart from absolute emissions, we report emission intensities in tons of carbon dioxide equivalents per million euro invested or lent out. For the mortgage portfolio, we also report the average energy label based on the latest available registered energy labels (Rijksdienst Voor Ondernemend Nederland, RVO) and the most recent version of the preliminary energy labels.

Process

For new loans and green bonds the most recent emissions data is used. Emission factors and data sources used for the calculations are updated annually in the second quarter to ensure we use recent data in our calculations. Our Sustainability Expertise Centre department collects emission data and financial data from investees and makes calculations for the climate-neutral balance sheet every quarter. The results are checked by Guidehouse. The quarterly results are discussed and approved by the Societal Impact Committee. The results are also reported in management and risk reports.

Methodology

PCAF aims to develop a standard for calculating financed emissions. In recent years, PCAF has grown into a global collaborative venture to which a large part of businesses in the Dutch financial services sector actively contributes. The first Global Carbon Accounting Standard was introduced in November

2020 taking into account the efforts and expertise of more than 350 financial institutions around the world. An update followed mid December 2022 leading to the second GHG accounting standard by PCAF, including methodologies for emission removals and sovereign bonds. Due to the short time period after publishment we are still applying the first version of the PCAF GHG accounting standard. We deviate from PCAF methodology on private mortgages where we apply a more strict approach and attribute full emissions to our assets instead of a loan-to-value based attribution approach. However, we intend to provide an attribution factor based on loan-to-value at inception, on which financed emissions in line with PCAF methodology could be calculated.

Data quality

For each of the asset classes, we apply the corresponding data quality scores of the PCAF methodology. The weighted average data quality score for all assets in the climate-neutral balance sheet calculation was calculated at 3.0 (1 = highest data quality; 5 = lowest data quality). We continually strive to increase the data quality of the data in our calculations. In 2022, we updated the anonymised energy consumption data of the customers in our mortgage portfolio. The gas consumption data and electricity consumption data covered 91% and 95% of the private mortgages customer base, respectively. The consumption data for the business mortgages have not been updated and we have started using sector averages based on the PCAF database. The data quality has been lowered because of this compared to last year.

For the asset class-specific considerations and data sources used in our calculations, see the table on the next page.

Asset class	Methodology	Reference to chapter	Considerations on attribution	Data sources used in calculations	Data quality score of current sources
Unlisted equity	PCAF Global GHG standard	5.2. Business loans and unlisted equity	Attribution based on book value.	Annual and environmental reports of counterparties.	2.8
Sovereign bonds	PCAF NL 2019 report	3.4.1. Sovereign bonds[1]	Attribution based on outstanding nominal amount.	Scope 1, 2 and 3 emissions are calculated, based on Eurostat input/output data, air emission accounts per sector and central government debt.	5.0
Corporate bonds	PCAF Global GHG standard	5.1. Listed equity and Corporate bonds	Attribution based on outstanding nominal amount.	Reported emissions derived from annual reports and sustainability reports. In the case of earmarked bonds the reported emissions, avoided emissions and carbon removals are used.[2]	4.6
Private mortgages	PCAF Global GHG standard	5.5. Mortgages	Attribution based on market value. 100% of emissions are attributed instead of a loan-to-value approach.	Emissions are calculated based on actual gas- and electricity consumption over de Volksbank's 2021 mortgage portfolio. The consumption data is converted to CO2 equivalents using the TTW value for gas from co2emissiefactoren.nl (updated in January 2022), and the emission factor for electricity for 2020 in the Netherlands as calculated by the integral method by the CBS.[3]	2.2
Business mortgages	PCAF Global GHG standard	5.5. Mortgages	Attribution based on market value.	Emissions are calculated based on emission factors using the PCAF web-based emission factor database based on emission factors per asset value.	5.0
Business loans	PCAF Global GHG standard	5.2. Business loans and unlisted equity	Attribution based on book value.	Klimaatmonitor Waterschappen (2021), Regionale klimaatmonitor Rijksoverheid (2021), AEDES benchmark (2018), annual and environmental reports of counterparties. If no data was available the PCAF web-based emission factor database was used based on emission factors per asset value.	2.7
Project finance	PCAF Global GHG standard	5.3. Project finance	Attribution based on book value.	Ex-ante estimates of emissions and avoided emissions based on P90 energy generation values from due diligence reports.	3.5

1 The update of the PCAF Global GHG standard has been launched mid-December. It provides a methodology for sovereign bonds but we have not been able to implement the methodology due to the late update. We currently apply the methodology developed by PCAF Netherlands to take into account these emissions.
2 The PCAF Global GHG standard does not provide a methodology for green bonds yet. Green bonds are interpreted as corporate bonds until a methodology is provided within the PCAF Global GHG standard.
3 As of this year we started using the CBS emission factor which is updated annually. This emission factor aligns with Dutch statistical data including averages on consumption data by the CBS, and the Climate and Energy Outlooks published by PBL.

DEFINITIONS OF MATERIAL TOPICS

Material topic number	Material topic	Definition	Reference
MT1	Fair, transparent and sustainable products	We are constantly working on understandable and transparent products and services where the customer's interests are central. We strive for products and services that cause as little harm as possible to nature and the environment.	- Section 2.4.1 - Annual Review: Section 2.3; 3.1.2
MT2	Customer relationship and service	We strive to help customers in the best possible way, not only with questions or complaints, but also by providing them with proactive solutions.	- Section 2.4.2 - Annual Review: Section 2.3; 3.1.1
MT3	Data privacy and security	We strive for optimal surveillance of customer data to ensure maximum privacy and security.	- Section 2.4.3 - Annual Review: Section 2.3; 3.1.4
MT4	Responsible investment and financing	We incorporate sustainability into all our financing and investments in order to make a positive impact.	- Section 2.4.4 - Annual Review: Section 2.3; 3.2.3
MT5	Responsible financial results	We are committed to being a financially healthy bank, with a solid return and a strong capital position.	- Section 2.4.5 - Annual Review: Section 2.3; 3.4; 3.5; 3.6
MT6	Climate impact	We want to make a positive contribution to the climate. As a bank, we have a significant (indirect) impact on the climate, which we measure by means of our climate-neutral balance sheet.	- Section 2.4.6 - Annual Review: Section 2.3; 3.2.3
MT7	Compliance with laws and regulations	We adhere strictly to laws and regulations. These days, especially in the financial services sector, social standards are an important part of the interpretation of laws and regulations and unwritten rules.	- Section 2.4.7; 1.3.3; 4.5 - Annual Review: Section 2.3; 4.5
MT8	Social engagement, cooperation and entrepreneurship	We strive for close social cooperation with a broad group of stakeholders and include their input where possible. We do this by being involved at a regional, national and international level. For example, we support entrepreneurship, accessibility of the housing market and quality of life in communities.	- Section 2.4.8 - Annual Review: Section 2.3; 3.2.2
MT9	Countering cyber and financial crime	We are committed to combating cybercrime and financial crime, such as phishing, fraud and money laundering.	- Section 2.5.1 - Annual Review: Section 2.3; 3.1.5
MT10	Integrity and ethics	We value honest and ethical business practices, in an open culture. We do this partly through our responsible remuneration and taxation policies.	- Section 2.5.1 - Annual Review: Section 2.3; 4.5
MT11	Genuine attention for our employees	We find it important that our employees are committed and engaged. We want them to feel at home within our organisation and to be motivated by our mission. We encourage our employees to invest in their personal development.	- Section 2.5.1 - Annual Review: Section 2.3; 3.3
MT12	Responsible risk management	We choose activities with a low risk profile and avoid aggressive risk-return strategies.	- Section 2.5.1 - Annual Review: Section 2.3; 3.7
MT13	Social impact	Focusing on the growth of every individual, we are committed to financial health and inclusion, for younger and older age groups, for now and in the future.	- Section 2.5.1 - Annual Review: Section 2.3; 3.2.1
MT14	Digitalisation and innovation	We want to use digitalisation and innovation to continuously improve products and services and make them more sustainable.	- Section 2.5.1 - Annual Review: Section 2.3; 3.1.3
MT15	Human rights	We make a strong case for human rights, with a special focus on a living wage for all.	- Section 2.5.1 - Annual Review: Section 2.3; 3.2.3
MT16	Corporate governance	We want to organise the bank in a structured and honest way that fits our vision.	- Section 2.5.1 - Annual Review: Section 2.3; 4.3
MT17	Diversity and inclusion	We believe it is important that everyone matters and is able to be themselves, both inside and outside of de Volksbank.	- Section 2.5.1 - Annual Review: Section 2.3; 3.3
MT18	Biodiversity and natural resources	We want to make a positive contribution to biodiversity. In addition, we conduct a strict commodity policy that fits our vision and our customers. This goes for the impact of our business operations and our customers.	- Section 2.5.1 - Annual Review: Section 2.3; 3.2.3

CONNECTIVITY MATRIX

Our mission and ambition

Mission Banking with a human touch

Ambition Creating shared value for customers, society, employees and shareholder

+

Promise **Better for each other**

Core products

Payments

Savings

Mortgages

Investments

Insurances

Small business

Additional propositions and partnerships

How we differentiate ourselves: two pillars

Strong customer relationship
Personal customer approach through seamless and pleasant interactions and suitable propositions

Social impact
De Volksbank achieves social impact on climate and decent living by integrating these themes in its services

Four growth priorities of the brands

SNS
Attracting a younger target audience and strengthening the business model with fee income

asn bank
Accelerate the growth of ASN Bank as a digital, sustainable bank

RegioBank
Reinforce RegioBank's local presence by broadening its propositions

BLGwonen
Expand BLG Wonen by increasing its distribution reach and improving its service

Five necessary movements of change

Digital and omni-channel dialogue

Relevant range of products, new propositions and small businesses as a new target market

IT-based customer bank

Customer focused

Efficient and flexible

	Customers	Society	Employees	Shareholder
Material topics	Fair, transparent and sustainable products MT1; Customer relation-ship and service MT2; Data privacy and safety MT3	Responsible investment and financing MT4; Climate impact MT6; Social engagement, cooperation and entre-preneurship MT8	Genuine attention for our employees MT11; Diversity & inclusion MT17	Responsible financial results MT5; Compliance with laws and regulations MT7
KPIs and targets 2025	• **1.3 million** active multi-customers • Raising customer-weighted Net Promoter Score (NPS) to **+13** • Customer Relationship Score of **60**	• Climate-neutral balance sheet of at least **75%**, rising to 100% in 2030	• Genuine attention for employees gets a mark of at least **7.5**	• A Return on Equity (RoE) of **8%** • A dividend pay-out of **40-60%** of the net profit
Realisation KPIs 2022	• customer-weighted Net Promoter Score **-1** • **1,087m** active multi-customers • customer-weighted Customer Relationship Score **+53**	• Climate-neutral balance sheet at **62%**	• Genuine attention for employees at **7.6**	• Return on Equity (RoE) of **5.2%** • A dividend pay-out of **50%**

8 DECENT WORK AND ECONOMIC GROWTH — **Subgoals: 8.3, 8.5, 8.8, 8.10**

11 SUSTAINABLE CITIES AND COMMUNITIES — **Subgoals: 11.1, 11.3**

13 CLIMATE ACTION — **Subgoals: 13.2, 13.3**

15 LIFE ON LAND — **Subgoals: 15.1, 15.A, 15.B**

17 PARTNERSHIPS FOR THE GOALS — **Subgoals: 17.14, 17.16, 17.17**