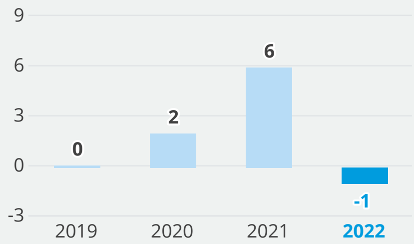
de volksbank

2022

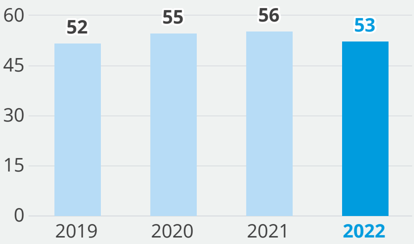
Full-year Financial Report

Key figures

Net Promoter Score[1]

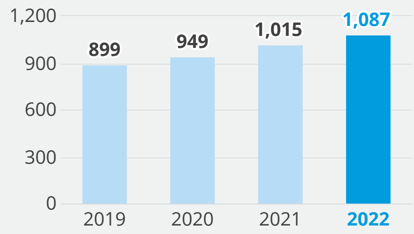


Customer Relationship Score

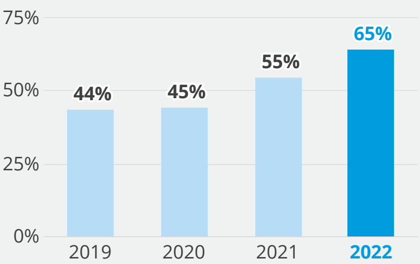


Active multi-customers[2]

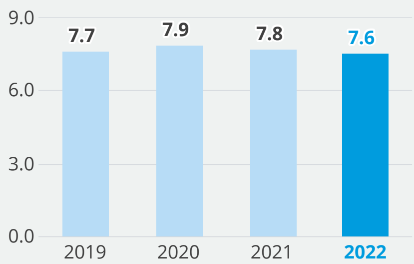
(In thousands)



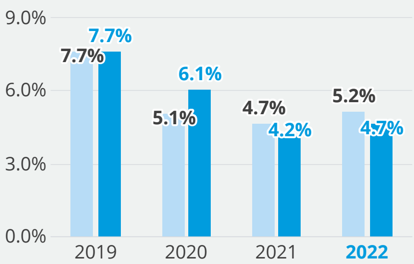
Climate-neutral balance sheet



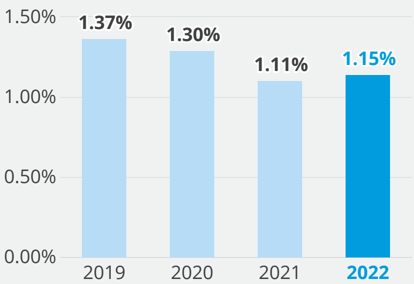
Genuine attention for employees



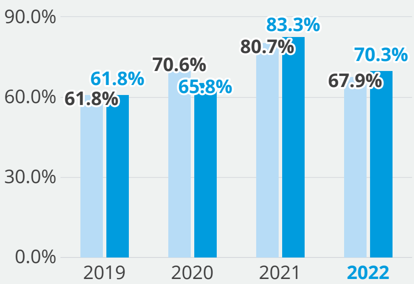
RoE & adjusted RoE



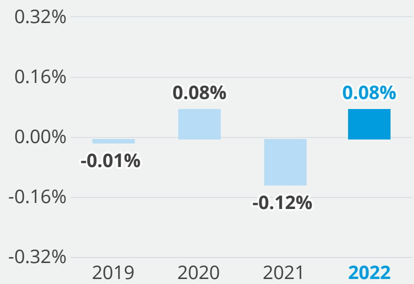
Net interest margin



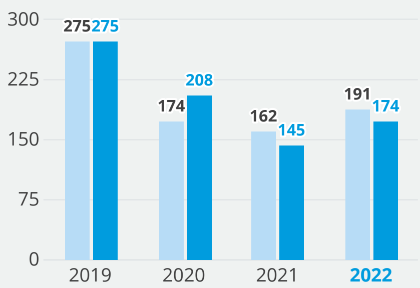
C/I ratio & adjusted C/I ratio



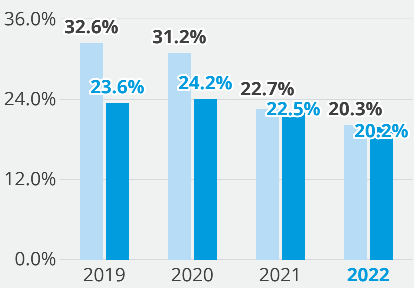
Cost of risk total loans



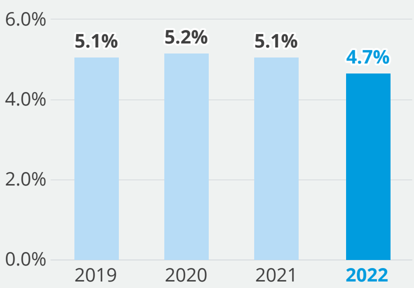
Net result & adjusted net result



CET1 ratio Basel III / IV[3]



Leverage ratio



1 Customer-weighted average NPS of all brands. Source: market research company Miles Research.

2 Active multi-customer: a customer with a current account and at least one product from another product group, who has made at least ten customer-initiated transactions on his or her current account for three months in a row.

3 The CET1 ratio based on Basel IV is an estimate.

Foreword

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. 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 2.2*). 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 10 percentage points to 65%, 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. Of the impairment charge, € 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.

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. Also, CET1 capital was lower as a result of a decrease in the fair value reserve, driven by higher interest rates.

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.

For 2022 we propose a dividend payment of € 90 million, which corresponds to a pay-out of 50% of the net profit attributable to the shareholder.

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.

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.''

Progress on strategic objectives

In 2022, we continued to build on our 2021 – 2025 strategy: Better for each other – from promise to impact. 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 priority:
- SNS will broaden its target audience to include younger customers and strengthen its business model with more fee income;
- ASN Bank aims to accelerate growth as a digital, sustainable bank;
- RegioBank is set to strengthen its local presence with a broader range of propositions;
- BLG Wonen intends to expand by improving its distribution reach and service.

To strengthen our distinctive capability and achieve the brands' growth priorities, our strategy comprises five necessary movements of change, i.e.:
1. improving our digital and omni-channel dialogue with customers and advisers;
2. broadening our product range with existing and new propositions and addressing the target market for small businesses.
3. improving the quality of our data warehouse;
4. implementing an agile organisation structure;
5. realising efficiency gains.

To this end, we are continuously working to strengthen our organisational, employee and leadership capabilities, to comply with laws and regulations and to guarantee 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 Strategy 2021 – 2025 and the outlook for the economic developments and financial markets, we have set objectively measurable goals for each stakeholder group, which are set out in the table below:

Strategic objectives	Target 2025	31-12-2022	30-6-2022	31-12-2021
CUSTOMERS				
Customer-weighted average Net Promoter Score (NPS)[1]	+13	-1	+3	+6
Active multi-customers (in 1,000)[1]	1,300	1,087	1,047	1,015
Customer Relationship Score (KRS)	60	53	54	56
SOCIETY				
Climate-neutral balance sheet[2]	≥75%	65%	58%	55%
EMPLOYEES				
Genuine attention[1]	≥ 7.5	7.6	7.7	7.8
SHAREHOLDER				
Return on Equity (RoE)[3]	8%	5.2%	5.5%	4.7%
OTHER OBJECTIVES				
Common Equity Tier 1 ratio (Basel IV)[4]	≥19%	20.2%	20.8%	22.5%
Leverage ratio (Basel IV)[4]	≥4.5%	4.7%	4.6%	5.1%
Cost/income ratio[3]	57-59%	67.9%	69.8%	80.7%

1 For the measurement methodology of this KPI, reference is made to the 2021 ESG Report.
2 For the measurement methodology of this KPI, reference is made to the 2021 ESG Report. As from 2022, we use proxies to calculate financed emissions instead of actual energy consumption data of business mortgages.
3 For the measurement methodology of this KPI, reference is made to the Section Reconciliation of alternative performance measures on page 39 of this report.
4 For more information, please refer to the Section Capital management.

Customers

De Volksbank aims to be a bank that provides simple and fair banking products to customers by focussing on its mission. We are a frontrunner in creating social impact by offering banking services that promote equality, diversity and inclusion towards our customers and within society. Although our brands' average Net Promoter Score (NPS) declined, the number of active multi-customers continued to grow in 2022.

Net Promoter Score

The customer-weighted average of all brand-specific NPS[1] scores declined to -1 in 2022, compared to +6 at year-end 2021. This was the case across all our brands and mainly related to an increase in the number of detractors, which can be attributed to the changing interest rate 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 as from 1 July 2022 for SNS and RegioBank customers and as from 1 October 2022 for ASN Bank customers. Customers pay a fixed monthly fee for this package no matter what product they have. The declining NPS score was mainly due to customers with a savings account and no current account. Despite the current market dynamics and inherent challenges, de Volksbank has set itself an NPS target 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. 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.

Customer Relationship Score

The Customer Relationship Score (*KRS*) is a new KPI. We developed this score ourselves, in collaboration with the Behavior Change Group. The 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 experienced by customers. Over 2022, the customer-weighted average of our banking brands was 53 (average for 2021: 56)[2].

Society

We aim to make a positive contribution to society through four themes: sustainability, housing, quality of life in communities and equal growth opportunities for everyone. Our Social Impact Framework sets out a range of targets and actions designed to contribute positively to these themes. This framework will mature over time as additional targets and actions are added on a regular basis and will help us to continue to contribute to the UN's Sustainable Development Goals (SDGs). De Volksbank has committed to aligning its business strategy with the UN Principles for Responsible Banking (PRB) – our targets and actions on sustainability and a fair society are closely connected to the impact areas of the PRB.

As far as sustainability is concerned, we set ourselves an ambitious target to realise a climate-neutral balance sheet by 2030 and a net zero balance sheet by 2050. Net zero means cutting greenhouse gas emissions to as close to zero as possible and re-absorbing the remaining emissions, for instance by forests, regenerative agriculture or oceans. In addition, we have developed KPIs in relation to biodiversity and human rights.

In 2022, in addition to our climate target, we developed targets and actions related to the accessibility of affordable housing in the Netherlands, to be launched in 2023. We introduced the Housing Accessibility Monitor, which we developed in collaboration with PwC and Companen, in 2021. This has led to actionable insights that we use to address issues and solutions in the media and politics. We are actively helping people who spend a large portion of their income on rent, and wish to buy a home with an affordable mortgage.

To contribute to the quality of life in communities we support several projects to enhance social cohesion and community togetherness. We also want to support equal growth opportunities for

1 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%.

2 The Customer Relationship Score (KRS) of de Volksbank is the customer-weighted average of all banking brands (SNS, ASN Bank, RegioBank). With an extended matrix the strength of the relationship is calculated based on the satisfaction, trust and brand love scores. The score can range from 0 to 100.

everyone. As part of its strategic direction, SNS changed the name of its brand theme formerly known as 'financial resilience' into 'attention to personal growth for everyone', for which it has developed KPIs.

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 include PCAF, PBAF and the European Citizens' Initiative, which calls for concrete measures to ensure workers in the garment industry are paid a living wage. Just a few examples of our concrete actions are our collaborations with *NLvoorelkaar* (volunteering platform) and other initiatives such as *Eurowijs* (teaching materials) and our Housing Accessibility Monitor.

Climate-neutral balance sheet

At year-end 2022, our climate-neutral balance sheet was calculated to be 65%, on the way to achieving our objective of at least 75% in 2025. This is a 10 percentage-point increase, from 55% at year-end 2021. 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 further improved due to the decrease in the electricity grid emission factor in the Netherlands, and an improvement in the calculation of avoided emissions for renewable energy projects. In 2022, CO_2 emissions amounted to 1,335 kilotons (year-end 2021: 1,341 kilotons), and avoided CO_2 emissions amounted to 861 kilotons (year-end 2021: 742 kilotons)[3].

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 progress on the shared value for employees with the KPIs genuine attention and commitment & engagement. For the first KPI we aim for a score of at least 7.5 (on a 1-10 scale) in 2025 and for the other two for a score of 8.0. In November 2022, 79.9% of all employees participated in the employee survey. The scores for genuine attention and commitment & engagement remained high at 7.6, 7.8 and 7.4, respectively (October 2021: 7.8, 7.9 and 7.4, respectively). These are satisfactory scores, especially considering the substantial impact of the agile transformation on the employee experience.

Shareholder

Return on Equity

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

Other objectives

Capital

The target levels 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. For an explanation of our capital objectives and achievements, see Section Capital management.

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.

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3 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 using the PCAF methodology. As from2022, we no longer use actual energy consumption data of business mortgages and we have started using proxies to calculate the financed emissions of this 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.

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 because 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%.

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[4], 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%.

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.

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.

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

Financial results

Profit and loss account

in € millions	FY22	FY21	Change	2H22	1H22
Net interest income	851	775	10%	479	372
Net fee and commission income	51	39	31%	27	24
Other income	63	13	385%	-4	67
Total income	**965**	**827**	**17%**	**502**	**463**
Operating expenses excluding regulatory levies	586	588	0%	304	282
Regulatory levies	69	79	-13%	28	41
Total operating expenses	**655**	**667**	**-2%**	**332**	**323**
Impairment charges of financial assets	52	-58	--	41	11
Total expenses	**707**	**609**	**16%**	**373**	**334**
Result before taxation	**258**	**218**	**18%**	**129**	**129**
Taxation	67	56	20%	33	34
Net result	**191**	**162**	**18%**	**96**	**95**
Addition to (release of) restructuring provision	17	--		13	4
Revaluation loan in relation to the insolvency of DSB	--	17		--	--
Total incidental items	**17**	**17**		**13**	**4**
Adjusted net result	**174**	**145**	**20%**	**83**	**91**
Cost/income ratio[1]	67.9%	80.7%		66.1%	69.8%
Adjusted cost/income ratio[1]	70.3%	83.3%		69.5%	71.1%
Return on Equity (RoE)[1]	5.2%	4.7%		5.0%	5.5%
Adjusted Return on Equity (RoE)[1]	4.7%	4.2%		4.3%	5.2%
Net interest margin (bps)[1]	1.15%	1.11%		1.29%	1.01%
Cost/assets ratio as a % of average assets[1]	0.79%	0.84%		0.82%	0.77%
Adjusted cost/assets ratio as a % of average assets[1]	0.83%	0.87%		0.87%	0.78%

1 For the measurement methodology of these KPIs, reference is made to the Section Reconciliation of alternative performance measures on page 39 of 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 of income

in € millions	FY22	FY21	Change	2H22	1H22
Net interest income	851	775	10%	479	372
Net fee and commission income	51	39	31%	27	24
Investment income	-8	3	-367%	-6	-2
Other results on financial instruments	70	10	600%	1	69
Other operating income	1	--	0%	1	--
Total income	**965**	**827**	**17%**	**502**	**463**
Net interest margin (bps)[1]	1.15%	1.11%		1.29%	1.01%

1 For the measurement methodology of this KPI, reference is made to the Section Reconciliation of alternative performance measures on page 39 of 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 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[5], 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.

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

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.

Expenses

Operating expenses

Operating expenses and FTEs

in € millions	FY22	FY21	Change	2H22	1H22
Staff costs	383	414	-7%	188	195
Depreciation of (in)tangible assets	22	20	10%	12	10
Other operating expenses	250	233	7%	132	118
of which regulatory levies	*69*	*79*	*-13%*	*28*	*41*
Total operating expenses	**655**	**667**	**-2%**	**332**	**323**
Addition to (release of) restructuring provision - staff costs	-23	--		-17	-6
Incidental revaluation of loan related to the DSB insolvency - other operating expenses	--	-22		--	--
Adjusted operating expenses	**678**	**689**	**-2%**	**349**	**329**
FTES					
Number of internal FTEs	3,123	3,178	-2%	3,123	3,162
Number of external FTEs	764	783	-2%	764	761
Total number of FTEs	**3,887**	**3,961**	**-2%**	**3,887**	**3,923**

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 of financial assets

in € millions	FY22	FY21	2H22	1H22
Loans and advances to banks	5	--	5	--
Loans and advances to customers	39	-59	31	8
Of which residential mortgages	*17*	*-46*	*19*	*-2*
Of which consumer loans	*-3*	*3*	*-1*	*-2*
Of which SME loans	*2*	*-12*	*4*	*-2*
Of which other corporate and government loans	*23*	*-4*	*9*	*14*
Investments	8	1	5	3
Total impairment charges of financial assets	**52**	**-58**	**41**	**11**
Cost of risk of total loans[1]	0.08%	-0.12%	0.12%	0.03%
Cost of risk of residential mortgages[1]	0.04%	-0.10%	0.08%	-0.01%
Cost of risk of SME loans[1]	0.21%	-1.56%	0.77%	-0.32%

1 For the measurement methodology of these KPIs, reference is made to the Section Reconciliation of alternative performance measures on page 39 of 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 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.

Taxation
De Volksbank recognised € 67 million in corporate income tax, corresponding to an effective tax rate of 26.0%, slightly above the nominal rate of 25.8% as a result of the interest deduction limitation on borrowed capital (thin cap rule), largely offset by the tax impact from interest expenses related to AT1 capital securities, which are directly recognised in shareholders' equity.

Results of the second half of 2022 compared to the first half of 2022
Net profit in the second half of 2022 amounted to € 96 million, virtually stable compared to the net profit of € 95 million in the first half. Both periods included positive incidental items, consisting of a release of the restructuring provision in relation to the agile way of working. The first half included a release of € 6 million before tax (€ 4 million after tax) and the second half a release of € 17 million before tax (€ 13 million after tax).

Net profit, adjusted for incidental items, decreased to € 83 million, compared to € 91 million in the first half of 2022. Total income increased by € 39 million, but this was offset by rises in adjusted operating expenses and impairment charges of financial assets of € 20 million and € 30 million, respectively.

Net interest income increased by € 107 million to € 479 million (+29%), driven by the favourable interest rate environment. As a result of rising interest rates, interest on liquidity deposited with financial institutions such as the ECB rose. In addition, interest income on our investment portfolio grew, while expenses to hedge our interest rate risk decreased. Finally, interest income on mortgages increased due to portfolio growth in combination with production and renewals at higher interest rates. This was partly offset by higher wholesale funding expenses and lower compensation received for a loss of interest income on account of early repayments of mortgages.

Net fee and commission income rose by € 3 million to € 27 million due to the introduction of a monthly fee for the basic banking package, partly offset by lower mortgage advisory fees.

Investment income was € 6 million negative, compared to € 2 million negative in the first half, consisting of realised results on fixed-income investments in both periods.

Other results on financial instruments declined by € 68 million to € 1 million, a decrease that mainly ensued from lower results on interest rate swaptions used for hedging purposes. In the first half of 2022 a sharp rise in interest rates combined with high market volatility resulted in a € 51 million gain, while the second half of 2022 included a loss of € 5 million. In addition, the result on hedge accounting ineffectiveness of mortgages was lower.

Total operating expenses rose by € 9 million to € 332 million. Adjusted for incidental items, they rose by € 20 million, despite € 13 million lower regulatory levies as the annual resolution fund contribution of € 14 million was recognised in the first half. Excluding incidental items and regulatory levies, expenses rose by € 31 million. This was mainly driven by higher consultancy costs due to KYC-related projects and higher IT costs.

Impairment charges of financial assets increased by € 30 million to € 41 million. Impairment charges on residential mortgages showed a swing from a reversal of € 2 million in the first half to a charge of € 19 million in the second half, reflecting the bleaker macroeconomic outlook, most notably lower house prices and increased inflation risk. Impairment charges on SME loans showed a swing from a reversal of € 2 million in the first half to a charge of € 4 million in the second half. This was mainly attributable to a higher management overlay related to inflation risk. Impairment charges on other corporate and government loans declined by € 5 million to € 9 million, in both periods consisting of impairments on a few individual loans as a result of increased credit risk. Finally, impairment charges on loans to banks amounted to € 5 million in the second half (first half: nil), driven by increased credit spreads.

Risk management

Credit risk

Key figures

in € millions	31-12-2022 Gross carrying amount	31-12-2022 Provision for credit losses	31-12-2022 Book value	31-12-2021 Gross carrying amount	31-12-2021 Provision for credit losses	31-12-2021 Book value
Investments[1]	**5,598**	**-7**	**5,591**	**5,640**	**-2**	**5,638**
Loans and advances to banks[1]	**6,889**	**-5**	**6,884**	**4,527**	**--**	**4,527**
Residential mortgages[2]	48,272	-98	48,174	47,208	-73	47,135
Consumer loans	54	-9	45	52	-10	42
SME loans[2]	1,085	-24	1,061	830	-23	807
Other corporate and government loans	1,749	-23	1,726	1,777	-1	1,776
IFRS value adjustments[3]	-2,040	--	-2,040	810	--	810
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	3,373
Total on and off-balance sheet items for loans and advances to customers	**52,118**	**-168**	**51,950**	**54,063**	**-120**	**53,943**
Total	**64,605**	**-180**	**64,425**	**64,230**	**-122**	**64,108**

Credit risk indicators	31-12-2022	31-12-2021
Loans and advances to customers		
Loans and advances in stage 3	549	607
Stage 3 ratio[4]	1.1%	1.2%
Stage 3 coverage ratio[5]	12.8%	6.6%
Total loans and advances in arrears[6]	0.7%	0.8%
Residential mortgages		
Residential mortgages in stage 3	453	531
Stage 3 ratio[4]	0.9%	1.1%
Stage 3 coverage ratio[5]	6.4%	3.2%
Incurred loss ratio (in bps)[7]	0	0
Residential mortgages in arrears[6]	0.7%	0.7%
Weighted average indexed LtV	51%	53%

1 For more information, please refer to the Section Financial results - Impairment charges of financial assets.
2 As from 2022, funds for new mortgage loans that have been deposited by de Volksbank at a Notary Public's third-party account, but of which the deed of transfer of title has not yet been signed at said Notary Public's office, are presented in line item Other assets. Comparative figures for 2021 have been adjusted accordingly.
3 Consist of fair value adjustments from hedge accounting and amortisations.
4 Stage 3 loans as a percentage of total loans.
5 Provision for stage 3 loans as a percentage of total stage 3 loans.
6 Loans in arrears as a percentage of total loans.
7 Annualised write-offs for the period divided by the average portfolio.

Representing 67% of the total, the loans and advances to customers category is the largest on the balance sheet. Therefore, the remaider of this section mainly relates to the loans and advances to customers.

Loans and advances to customers

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.

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.

Model adjustments

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. The revised model updates existing ECL add-ons and introduces some new ECL add-ons that further augment ECL. These new add-ons are a modelled impact assessment of specific risks, including an add-on for interest-only mortgages. This estimate change had an increasing impact of € 29 million on the provision for credit risk as at 31 December 2022.

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 that was introduced to absorb a decrease in house prices; decreasing house prices drove this overlay down until it evaporated. The year-on-year growth recorded by Statistics Netherlands (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 House Price Index (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 on 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).

Modelled and post-modelled provision for credit losses[1]

	2022				2021			
		Post-model adjustments				Post-model adjustments		
in € millions	Modelled provision for credit losses	General manage-ment overlay	Covid-19 related manage-ment overlay	Total provision for credit losses	Modelled provision for credit losses	General manage-ment overlay	Covid-19 related manage-ment 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.

Forward-looking information

Macroeconomic scenarios used in credit risk models

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 base 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 base 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

	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	€ 106 million[1]
	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	
	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	€ 25 million[1]
	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	
	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			

1 Including the provision for credit losses for off-balance sheet items.

Sensitivity to the scenario weights as at 31 December 2021

	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	€ 80 million[1]
	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	
	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	€ 24 million[1]
	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	
	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 Including the provision for credit losses for off-balance sheet items.

Main developments per loan portfolio

Residential mortgages

Developments in the residential mortgage portfolio

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 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.

Provision for credit losses for residential mortgages

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 a 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.

Consumer loans

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 total provision for credit losses for consumer loans decreased from € 10 million to € 9 million, mainly due to write-offs. The related provision for off-balance sheet items also decreased, by € 1 million to € 4 million. Coverage ratios over the stages remained relatively stable.

SME loans
In 2022, the focus was on the financeability of SME companies in the Netherlands. We 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.

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.

Other corporate and government loans
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.

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, generating a € 22 million increase in the provision.

Loans and advances to customers by stage

in € millions	31-12-2022 Gross carrying amount	31-12-2022 Provision for credit losses	31-12-2022 Stage ratio	31-12-2022 Coverage ratio	31-12-2021 Gross carrying amount	31-12-2021 Provision for credit losses	31-12-2021 Stage ratio	31-12-2021 Coverage ratio
STAGE 1								
Residential mortgages[1]	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[1]	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[2]	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[3]	-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[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[4]	**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 As from 2022, funds for new mortgage loans that have been deposited by de Volksbank at a Notary Public's third-party account, but of which the deed of transfer of title has not yet been signed at said Notary Public's office, are presented in line item Other assets. Comparative figures for 2021 have been adjusted accordingly.

2 Gross SME loans include mortgage-backed loans for a gross amount of € 939 million (31-12-2021: € 803 million).

3 Consist of fair value adjustments from hedge accounting and amortisations.

4 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)

	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[1]	--	-146	--	--	--	-11	--	--	--	-157
Originated or purchased[2]	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[2]	-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 As of 2022, funds for new mortgage loans that have been deposited by de Volksbank at the third-party account but have not yet passed at the notary, are presented within the line item Other assets. The reclassifications concern the amount of which the comparative figures for 2021 have been adjusted.

2 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 provisions for credit losses

	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).

Loans and advances in arrears

in € millions	Gross carrying amount 2022	Gross carrying amount 2021	No arrears 2022	No arrears 2021	≤ 30 days in arrears 2022	≤ 30 days in arrears 2021	> 30 days ≤ 90 days in arrears 2022	> 30 days ≤ 90 days in arrears 2021	> 90 days in arrears 2022	> 90 days in arrears 2021	% in arrears 2022	% in arrears 2021
RESIDENTIAL MORTGAGES												
Stage 1	45,499	45,102	45,473	45,066	11	17	5	4	10	15	0.1%	0.1%
Stage 2	2,320	1,575	2,163	1,419	33	27	63	54	61	75	6.8%	9.9%
Stage 3	453	531	321	378	7	6	31	24	94	123	29.1%	28.8%
Total residential mortgages	**48,272**	**47,208**	**47,957**	**46,863**	**51**	**50**	**99**	**82**	**165**	**213**	**0.7%**	**0.7%**
CONSUMER LOANS												
Stage 1	22	28	22	28	--	--	--	--	--	--	0.0%	0.0%
Stage 2	23	14	19	14	1	--	1	--	2	--	17.4%	0.0%
Stage 3	9	10	1	1	--	1	--	--	8	8	88.9%	90.0%
Total consumer loans	**54**	**52**	**42**	**43**	**1**	**1**	**1**	**--**	**10**	**8**	**22.2%**	**17.3%**
SME LOANS[1]												
Stage 1	933	652	931	651	2	1	--	--	--	--	0.2%	0.2%
Stage 2	106	112	86	106	6	4	5	2	9	--	18.9%	5.4%
Stage 3	46	66	33	50	5	3	2	1	6	12	28.3%	24.2%
Total SME loans	**1,085**	**830**	**1,050**	**807**	**13**	**8**	**7**	**3**	**15**	**12**	**3.2%**	**2.8%**
OTHER CORPORATE AND GOVERNMENT LOANS												
Stage 1	1,665	1,653	1,665	1,653	--	--	--	--	--	--	0.0%	0.0%
Stage 2	43	124	43	124	--	--	--	--	--	--	0.0%	0.0%
Stage 3	41	--	41	--	--	--	--	--	--	--	0.0%	0.0%
Total other corporate and government loans	**1,749**	**1,777**	**1,749**	**1,777**	**--**	**--**	**--**	**--**	**--**	**--**	**0.0%**	**0.0%**
Total loans and advances to customers excluding IFRS value adjustments	**51,160**	**49,867**	**50,798**	**49,490**	**65**	**59**	**107**	**85**	**190**	**233**	**0.7%**	**0.8%**
IFRS value adjustments[2]	-2,040	810	--	--	--	--	--	--	--	--		
Total loans and advances to customers	**49,120**	**50,677**	**50,798**	**49,490**	**65**	**59**	**107**	**85**	**190**	**233**		

1 With effect from 2022, de Volksbank has changed the past due definition for SME loans. A loan is past due where any amount of principal, interest or fee has not been paid at the date it was due. Comparative figures for 2021 have been adjusted accordingly.

2 Consist of fair value adjustments from hedge accounting and amortisations.

Non-financial risks

Besides financial risks, de Volksbank is also exposed to non-financial risks, caused by both internal and external factors and developments.

Non-financial risks stem from inadequate or failed internal processes and (IT) systems, 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.

The Executive Committee (ExCo) dedicates a great deal of attention to managing and controlling non-financial risks. A Risk Control Framework is in place and events and incidents are closely monitored for status and solution.

At de Volksbank, we divide the non-financial risks into three sub-categories: operational risk, compliance risk and model risk. The most important developments for non-financial risks for each sub-category are:

Operational risk

In 2022, we made further progress 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.

With ever-increasing cybercrime 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 relevant new IT-related legislation such as the Digital Operational Resilience Act (DORA), which we have started to implement. Implementation will continue in 2023.

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.

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. The exploration of additional de-risking measures involves several legal and compliance aspects that are taken care of by the applicable departments.

Compliance risk

A dedicated Compliance function continuously monitors compliance with laws, regulations and internal policies.

Customer integrity (AML, CFT and Sanctions)

We consider the gatekeeper function to be an integral part of our business operations, with the aim of preventing our bank and/or the financial system from being misused for financial crime. We help detect and prevent financial crime, considering customer integrity in relation to anti-money laundering, to counter the financing of terrorism. De Volksbank is determined to take all necessary steps to fulfil its gatekeepers responsibilities for which we closely follow updated legislation. We have an ongoing dialogue with DNB on this subject. As a result we decided in 2022 to further expand and deepen the improvement programme that started in 2020 enabling us to implement a future-proof and robust customer integrity framework. Consequently, de Volksbank increased its investments in this domain, both in relation to personnel and systems. The Compliance function continuously monitors de Volksbank's customer integrity framework.

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.

Furthermore, we closely followed, and will continue to follow, new and updated legislation on the subject of customer integrity.

Model risk

Improvement and development of models 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 add-ons for regulatory capital in order to sufficiently mitigate model risk. For more information, see Section Capital management. The revisited IFRS 9 provisioning model updates existing ECL add-ons and introduces some new ECL add-ons that further augment ECL. For more information, see Section 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.

Sustainability risk

In 2022 we analysed the results of the ESG risk assessment, which was carried out for the first time in 2021. The results of this assessment, and the specific feedback provided by supervisory authorities, are key elements in our follow-up with respect to supervisory expectations in relation to sustainability risk as stated in the ECB Guide on Climate-related and Environmental Risks. We formulated specific actions to assess the impact of the identified ESG risk drivers and to further integrate sustainability risk into the management cycles of our risk types.

From January up to and including June, de Volksbank participated in the 2022 climate risk stress test exercise coordinated by the ECB, in which 104 financial institutions participated. We were only requested to submit a qualitative questionnaire, climate risk metrics and the realisation data for the year 2021. As far as 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.

Capital management

Capitalisation

Capitalisation

in € millions	31-12-2022	30-6-2022	31-12-2021
Total equity	3,708	3,675	3,486
Non-eligible interim profits	-153	-95	-124
Additional Tier 1 capital	-298	-298	--
Total equity for CRD IV purposes	**3,257**	**3,282**	**3,362**
Cashflow hedge reserve	-17	-18	-19
Other prudential adjustments	-5	-4	-3
Total prudential filters	**-22**	**-22**	**-22**
Intangible assets	-6	-6	-6
IRB shortfall[1]	-57	-52	-74
Additional deductions of CET1 capital due to Article 3 CRR	-71	-100	-78
Total capital deductions	**-134**	**-158**	**-158**
Total regulatory adjustments to total equity	**-156**	**-180**	**-180**
CRD IV CET1 capital	**3,101**	**3,102**	**3,182**
Additional Tier 1 capital	298	298	--
Tier 1 capital	**3,399**	**3,400**	**3,182**
Eligible Tier 2	500	500	500
IRB Excess[1]	--	--	--
Tier 2 capital	**500**	**500**	**500**
Total capital	**3,899**	**3,900**	**3,682**
Risk-weighted assets	**15,306**	**14,924**	**13,993**
Risk exposure as defined by the CRR	71,716	73,418	62,206
CET1 ratio	**20.3%**	**20.8%**	**22.7%**
Tier 1 ratio	22.2%	22.8%	22.7%
Total capital ratio	25.5%	26.1%	26.3%
Leverage ratio	4.7%	4.6%	5.1%

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.

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 table presenting the RWAs on the next page. The CET1 capital ratio remained well above our target of at least 19%.

In 2022, total equity rose by € 222 million to € 3,708 million. Available distributable items[6] 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.

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

6 Equalling the sum of share premium, retained earnings and other reserves.

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 remaining 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.

Risk-weighted assets (RWA)

in € millions	31-12-2022	30-6-2022	31-12-2021
	CRD IV	CRD IV	CRD IV
Credit risk - Internal ratings based (IRB)	8,435	5,947	6,240
Credit risk - standardised approach (SA)	4,442	4,338	3,261
Securitisations	13	12	20
Operational risk	1,428	1,392	1,392
Market risk	236	--	--
Credit Valuation Adjustment (CVA)	50	56	75
Additional risk exposure amounts due to Article 3 CRR	702	3,179	3,005
Total RWA	**15,306**	**14,924**	**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 earlier reporting periods. We have submitted answers to this request and are now awaiting a response from the ECB.

The RWA for operational risk, market risk, the Credit Valuation Adjustment and the revised securitisation framework increased by € 240 million to € 1.7 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.

Leverage ratio

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 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%.

Developments in capital requirements

SREP

With effect from 1 January 2023, de Volksbank is required to meet a minimum total Overall Capital Requirement (OCR) of 14.5% (previously 14.0%), of which at least 9.69% (previously 9.41%) 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 2021.

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.

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.

The Basel IV fully loaded CET1 capital ratio declined from 22.5% 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 exceeds our target of at least 19%[7], allowing us to both continue our growth path and pay out dividend.

Minimum floor on risk weighting of mortgage loan portfolios

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

Countercyclical capital buffer in the Netherlands

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

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

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.

MREL

in € millions	31-12-2022	30-6-2022	31-12-2021
CET1 capital	3,101	3,102	3,182
Additional Tier 1 capital	298	298	
Tier 2 capital	500	500	500
Total capital	**3,899**	**3,900**	**3,682**
Senior non-preferred (SNP) liabilities with remaining maturity >1 year	1,500	1,500	1,000
Eligible senior preferred liabilities with remaining maturity > 1 year	919	769	1,312
Total capital including other eligible liabilities	**6,318**	**6,169**	**5,994**
MREL BRRD2 EXPOSURE MEASURES			
Leverage ratio exposure measure (LRE)	71,716	73,418	62,206
Risk-weighted assets	15,306	14,924	13,993
MREL LRE			
MREL (Total capital and eligible SNP liabilities) (LRE)	7.5%	7.4%	7.5%
MREL (Total capital including other eligible liabilities) (LRE)	8.8%	8.4%	9.6%
MREL RWA			
MREL (Total capital and eligible SNP liabilities) (RWA)	35.3%	36.2%	33.5%
MREL (Total capital including other eligible liabilities) (RWA)	41.3%	41.3%	42.8%

The table above 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%).

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[8] for the financial year 2022, which corresponds to a dividend amount of € 90 million.

8 Excluding AT1 coupon payments.

Liquidity and funding

Liquidity

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

The 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%).

Key liquidity indicators

	31-12-2022	30-6-2022	31-12-2021
LCR	233%	359%	324%
NSFR	174%	179%	176%
Loan-to-Deposit ratio[1]	90%	86%	86%
Liquidity position (in € millions)	17,208	18,511	22,570

1 For the measurement methodology of this KPI, reference is made to the section Reconciliation of alternative performance measures on page 39 of this report.

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

Liquidity position

in € millions	31-12-2022	30-6-2022	31-12-2021
Central bank reserves	8,309	9,502	10,707
Sovereigns	324	671	1,780
Regional/local governments and Supranationals	1,641	1,631	1,567
Other liquid assets	1,215	850	618
Eligible retained RMBS	5,719	5,857	7,898
Liquidity position	**17,208**	**18,511**	**22,570**

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), € 3.1 billion of which 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.

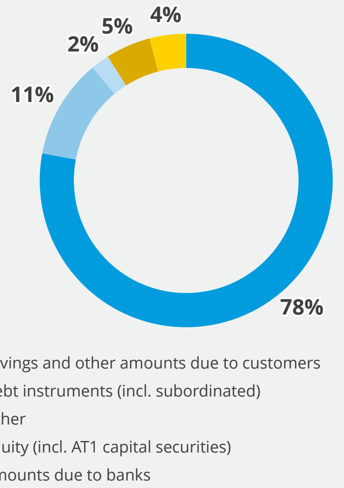
Funding

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.

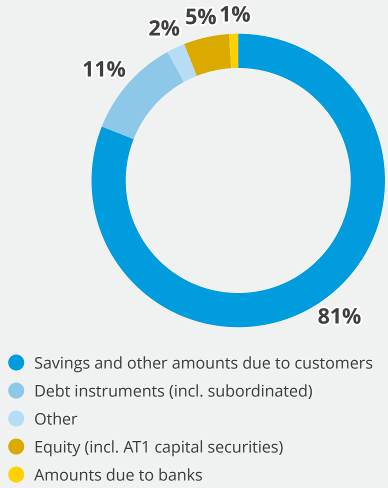
Hence, in addition to savings deposits and current account balances, we also attract funding from the capital markets. For regulatory and funding diversification reasons, this funding is attracted through various funding instruments with different terms and investor types spread over regions.

The diagrams below provide an overview of the book value-based composition of equity and total liabilities as at year-end 2022 and 2021.

Equity and liability mix as at 31 December 2022: € 73.2 billion



Equity and liability mix as at 31 December 2021: € 72.1 billion



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.

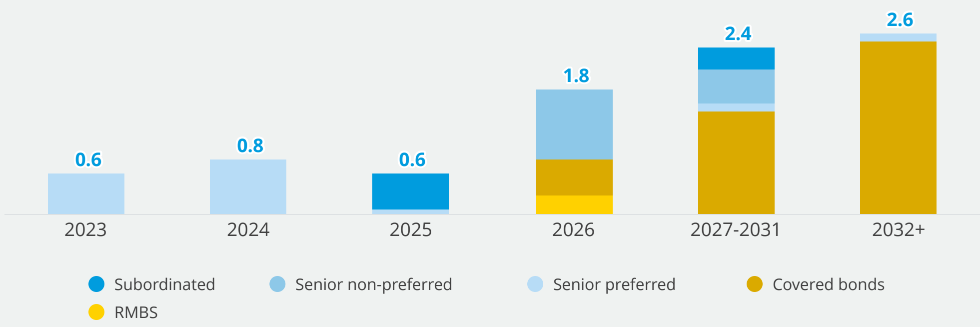
As capital market funding redemptions in 2022 were limited to € 0.6 billion, capital market funding rose from € 8.2 billion to € 8.8 billion as at year-end 2022.

Capital market funding 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*	

The diagram below 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.

Capital market funding maturities
(in € billions)



Consolidated financial statements

Consolidated statement of financial position

Before result appropriation and in € millions	31-12-2022	31-12-2021
ASSETS		
Cash and cash equivalents	8,011	10,305
Derivatives	3,302	591
Investments	5,591	5,638
Loans and advances to banks	6,884	4,527
Loans and advances to customers	48,966	50,570
Tangible and intangible assets	85	93
Tax assets	67	39
Other assets	249	318
Total assets	**73,155**	**72,081**
LIABILITIES		
Derivatives	924	1,013
Amounts due to banks	2,805	1,059
Savings	44,501	45,681
Other amounts due to customers	12,649	12,447
Debt certificates	7,544	7,402
Subordinated debts	500	500
Provisions	66	102
Tax liabilities	6	9
Other liabilities	452	382
Total liabilities	**69,447**	**68,595**
Share capital	381	381
Other reserves	2,838	2,943
Net profit for the period	191	162
AT1 capital securities	298	-
Shareholders' equity	**3,708**	**3,486**
Total equity and liabilities	**73,155**	**72,081**

Consolidated income statement

in € millions	2022	2021
INCOME		
Interest income	1,128	1,043
Interest expense	277	268
Net interest income	**851**	**775**
Fee and commission income	154	137
Fee and commission expenses	103	98
Net fee and commission income	**51**	**39**
Investment income	-8	3
Other result on financial instruments	70	10
Other operating income	1	--
Total income	**965**	**827**
EXPENSES		
Staff costs	383	414
Depreciation and amortisation of tangible and intangible assets	22	20
Other operating expenses	250	233
Total operating expenses	**655**	**667**
Impairment charges of financial assets	52	-58
Total expenses	**707**	**609**
Result before taxation	**258**	**218**
Taxation	67	56
Net result for the period	**191**	**162**

Consolidated statement of 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

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 total equity

Consolidated statement of changes in total 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 total 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**

General information

Other information

De Volksbank N.V. (hereafter 'de Volksbank') is a public limited liability company, incorporated under Dutch law and domiciled in the Netherlands. De Volksbank's registered office is located at Croeselaan 1, 3521 BJ Utrecht. All shares of de Volksbank are held by NL financial investments (NLFI).

The financial information included in this report has been prepared in accordance with International Financial Reporting Standards as accepted within the European Union (IFRS-EU). In preparing the financial information in this year-end report, unless stated otherwise, the same accounting policies have been applied as in the 2021 consolidated financial statements of de Volksbank, taking the changes in IFRS-EU into account as from 1 January 2022.

The presentation of the consolidated statement of financial position has been changed to provide additional and more relevant information or (for changes in comparative information) to better align with the current period presentation.

The preparation of the financial statements for 2022 is in progress. The figures in this press release have not been audited.

Changes in accounting estimates

De Volksbank has refined the timing of cashflows used in accounting for prepayment penalties related to interest rate averaging contracts. The timing of these cashflows cannot be fully derived from the contractual terms and conditions, because some of our mortgage customers will repay before the contractual end date of the mortgage due to moving to another house, 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 consistent accounting of prepayment penalties related to interest rate averaging contracts going forward and leads to more relevant information.

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. The revised model updates existing ECL add-ons and introduces some new ECL add-ons that further augment ECL. These new add-ons are a modelled impact assessment of specific risks, including an add-on for interest-only mortgages. Additionally, stage triggers for interest-only mortgages were revised by extending the scope of the potentially high-risk interest-only mortgages. In total, this had an increasing impact of € 37 million on the provision for credit risk as at 31 December 2022.

Reconciliation of alternative performance measures

Our financial results are prepared and reported in accordance with IFRS-EU, as detailed above.
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 full-year financial 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: 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*
Of which: investments	*8*		*8*	*1*		*1*
Of which: other	*--*		*--*	*--*		*--*
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

in € millions	2022 Reported	2022 Adjustments	2022 Adjusted	2021 Reported	2021 Adjustments	2021 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[1]		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%**

1 As from 2022, funds for new mortgage loans that have been deposited by de Volksbank at a Notary Public's third-party account, but of which the deed of transfer of title has not yet been signed at said Notary Public's office, are presented in line item Other assets. Comparative figures for 2021 have been adjusted accordingly.

About de Volksbank

General

De Volksbank is a financial services provider engaged in banking, with a particular focus on the Dutch retail market, including small and medium-sized enterprises. De Volksbank carries multiple brands and has a single back office and IT organisation. The product range consists of five core product groups: payments, mortgages, savings, SME loans and sustainable investment funds. De Volksbank has a balance sheet total of € 73 billion and 3,123 internal employees (FTEs), making it a major player in the Dutch retail banking market. The head office of de Volksbank is located in Utrecht.

Mission and ambition

The mission of de Volksbank is 'Banking with a human touch'. To live up to our mission we formulated an ambition based on the principle of shared value. Shared value is directed towards social and economic as well as financial and non-financial aspects. Our ambition is to optimise this shared value by delivering benefits for customers, taking responsibility for society, giving genuine attention to employees and achieving returns for the shareholder. Our strategy has two main objectives with which we aim to strengthen our distinctive capability: the strongest customer relationship and a substantial and measurable positive social impact.

Our brands

There is no such thing as an 'average customer'. Everyone has different wishes, needs and preferences. We want to serve our customers in the way that best fits their needs. That is why, instead of one brand for all customers, we have opted for different brands that each serve their customers in the way that suits them best. Each brand has its own way of working, image, mentality and products, from savings and investments to insurance products.

SNS

Equal growth opportunities for everyone

SNS helps customers achieve their goals and dreams. Together with them, we look at what their needs are, and what stands in their way. We will actively work towards solutions. We will do everything we can to ensure that our customers get a fair chance to grow to their full potential. For we believe that if everyone is able to grow in their own way, the Netherlands will become a stronger country. Hence our motto: people come before money. We have been serving our customers for 200 years, currently with over 200 shops across the country. For more information, please see our website: www.snsbank.nl

ASN Bank

Sustainability

ASN Bank has been one of the leading banks in sustainable banking in the Netherlands for over 60 years. ASN Bank invests the money customers entrust to the bank in such a way that it contributes to sustainable progress and a liveable world, now and in the future. The three pillars of ASN Bank's sustainability policy and strategy are climate, human rights and biodiversity. With its variety of products and services ASN Bank demonstrates that money can create happiness. For more information, please see our website: www.asnbank.nl

RegioBank

Quality of life in communities

Just dropping by for a question or good advice. This is precisely what you can do at approximately 450 branch offices of independent advisers in villages and small towns all over the country.

In addition to taking care of money matters close to home, RegioBank is also committed to improving the quality of life in communities. It promotes local cohesion because it believes that having a social network close by makes people happy. The bank is a partner of the *Oranje Fonds* and in that capacity supports social initiatives. After all, RegioBank is not just a bank, but part of the local community: a liaison that wants to strengthen social vitality and regional entrepreneurship. For more information, please see our website: www.regiobank.nl

BLG Wonen

Decent housing for everyone

BLG Wonen is committed to a fairer and more accessible housing market. Founded in 1954 to give Limburg miners the chance to buy a house, it now supports new groups in society that have problems buying a house. BLG Wonen does not see files or numbers, but sees people with dreams and wishes. Only then will it look at the numbers. Together with its large network of independent advisers, it helps people to find a suitable mortgage. After all, owning your own home is important: it gives people a feeling of security and happiness. For more information, please see our website: www.blg.nl

Disclaimer

This press release contains factual information only and should not be regarded as an opinion or recommendation concerning the purchase or sale of securities issued by de Volksbank. This press release does not contain any value judgement or predictions with respect to the financial performance of de Volksbank.