de volksbank

PRESS RELEASE

2019

Results

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

2019 Results

Utrecht, 14 February 2020

Increased recognition of and appreciation for de Volksbank as a safe bank with safe products; various initiatives taken to further strengthen our social identity

Developments in Shared Value scores:
- Customers: improvement in customer-weighted Net Promoter Score to zero (year-end 2018: -1)
- Society: 44% climate-neutral balance sheet (year-end 2018: 37%); Financial Confidence Barometer almost stable at 48%
- Employees: introduction of KPI 'Genuine attention' that better fits our mission; KPI score achieved: 7.7 (on a 1-10 scale)
- Shareholder: a Return on Equity of 7.7% (2018: 7.6%), on the basis of a strong capital position

Growth in current account customers, mortgage portfolio and savings deposits

- Net growth in the number of current account customers by 80,000 to 1.57 million; market share of new current accounts of 21%
- Increase in mortgage portfolio by € 0.9 billion to € 48.2 billion, mainly due to € 0.7 billion IFRS value adjustments; commercial growth of € 0.2 billion, lower compared with 2018 (€ 1.3 billion)
- Market share of new mortgages lower at 6.1% (2018: 7.2%); decrease in new mortgage production to € 5.5 billion (2018: € 5.9 billion)
- Increase in retail savings by € 1.0 billion to € 38.4 billion; market share of savings decreased slightly to 10.4% (2018: 10.6%)

Increase in net profit to € 275 million, mainly driven by lower operating expenses

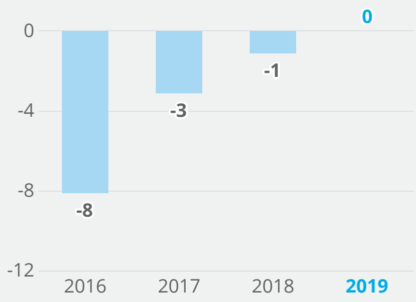
- Net profit of € 275 million, a 3% increase compared with 2018 (€ 268 million)
- Total income of € 929 million, lower compared with 2018 (€ 958 million) as a result of a decline in net interest income; decline in net interest margin to 1.37% (2018: 1.47%)
- A decrease in operating expenses excluding regulatory levies to € 533 million (2018: € 562 million), driven by lower staff and consultancy costs and a positive revaluation of € 7 million related to a previous contribution to the Deposit Guarantee Scheme
- Improvement in cost/income ratio (excluding regulatory levies) to 57.3% (2018: 58.7%) thanks to lower operating expenses
- A reversal of expected credit losses of financial assets of € 7 million (2018: reversal of € 12 million)

Strong capital position, even after the capital distribution to NLFI

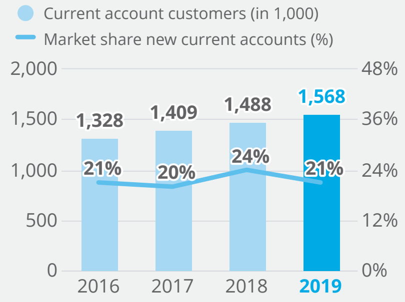
- Capital distribution of € 250 million in 2019 to shareholder NLFI; proposed dividend for 2019 of € 165 million (pay-out ratio: 60%)
- The Common Equity Tier 1 capital ratio dropped to 32.6% (year-end 2018: 35.5%); a leverage ratio of 5.1% (year-end 2018: 5.5%)
- The total capital ratio rose to 37.8% (year-end 2018: 37.1%), as a result of the merger between de Volksbank N.V. and de Volksholding B.V.

Key figures

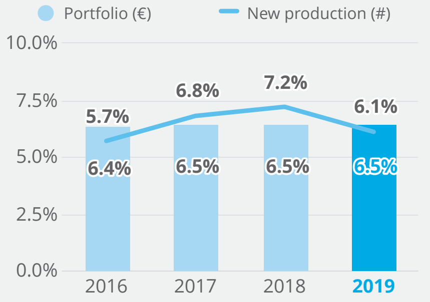
Net Promoter Score[1]



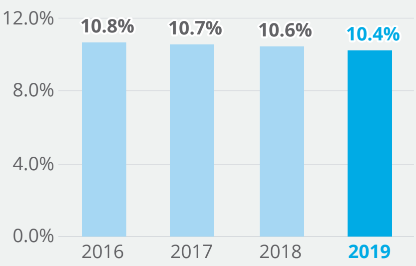
Current account customers[2]



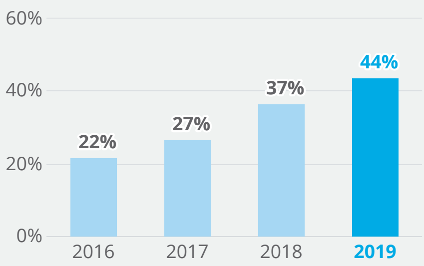
Market share of retail mortgages[3]



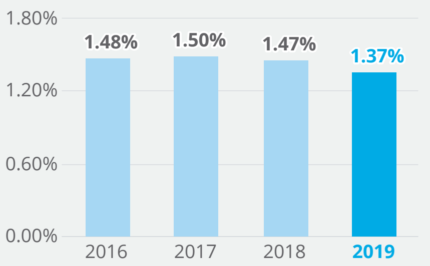
Market share of retail savings



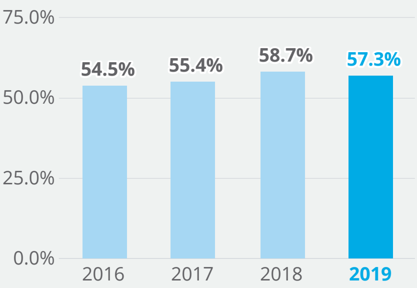
Climate-neutral balance sheet



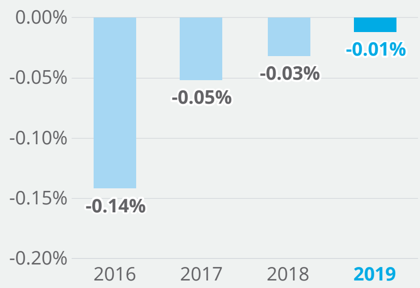
Net interest margin



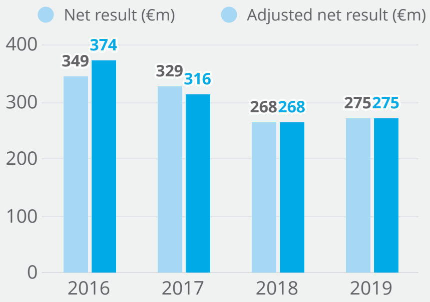
Adjusted cost/income ratio[4]



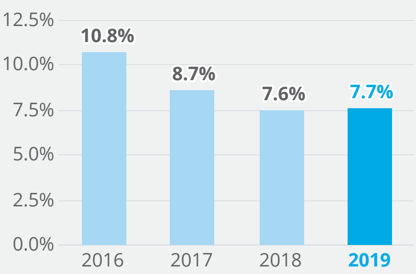
Cost of risk total loans



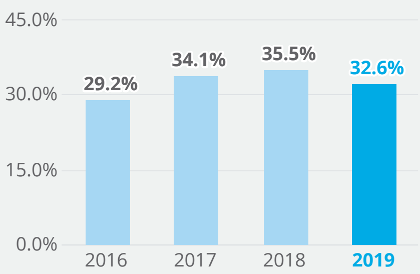
Net result / adjusted net result[4]



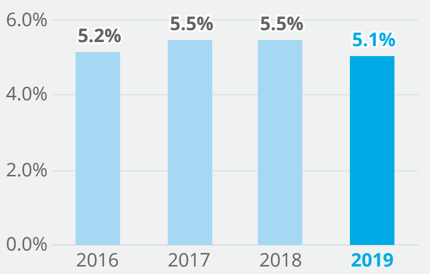
Adjusted return on equity[4]



Common Equity Tier 1 ratio[5]



Leverage ratio[5]



1 Customer-weighted average NPS of all brands. Source: market research company Miles Research.
2 Source: market share of new current accounts: Ipsos market research, based on Moving Annual Total (MAT), at the end of each reporting period looking back over the last 12 months.
3 Market share of the portfolio concerns the third quarter of 2019.
4 Up to and including 2017 adjusted for incidental items. As from 2018 there are no such items.
5 Up to and including 2017 on a transitional basis. As from 2018, full phase-in of CRD IV applies.

Foreword

Maurice Oostendorp, Chairman of the Board of Directors of de Volksbank

“In 2019, we enthusiastically worked on putting our mission, Banking with a human touch, further into practice. De Volksbank expressly chooses to act on its responsibility for the joint interest of society, customers, employees and the shareholder. External parties and the public increasingly recognise and appreciate this. At the same time, our core activities – mortgages, savings and payments – grew. And a drop in operating expenses resulted in a limited increase in our net profit last year.

In 2019, we again took a number of initiatives to further strengthen our social identity together with our four brands.
- ASN Bank completed the method for calculating its biodiversity impact and set itself the goal that all its investments and loans together are to have a net positive impact on biodiversity by 2030.
- BLG Wonen launched a pilot project in September to provide mortgages to so-called ‘high-rent tenants’ on the basis of a rent statement, allowing them to buy a home. Of the 1,300 applications, 160 people were invited to a free exploratory talk with an independent adviser. The pilot project will ultimately be continued with 40 customers and yielded BLG Wonen the Positive Finance Award.
- Seeking to support initiatives that contribute to social cohesion in a local setting (villages and small towns), RegioBank introduced a fund – the *VoordeBuurt Fonds* – together with *Oranje Fonds*, a Dutch Foundation that provides clubs and foundations with funds to promote participation in society.
- SNS reassigned customer communication to fixed teams of employees working in the more than 200 SNS shops.
- In September, de Volksbank issued its first ‘green senior preferred bond’ in the amount of € 500 million. Interest in the issue was substantial, with investors subscribing for € 1.7 billion. The proceeds of the bond are used to fund activities that contribute to lower CO2 emissions.
- Along with 130 other banks, de Volksbank signed the United Nations Principles for Responsible Banking. Officially launched on 22 September, these principles are aimed at sustainability and tackling climate change.
- De Volksbank joined the ‘Hack_Right’ programme, a pilot project in which the police and the Public Prosecutions Service collaborate with businesses to bring young hackers back on the rails *and* keep them there.
- We spoke with customers about their view of the low and possibly negative savings rates. Partly on this basis, we adopted our policy for the ASN Bank, RegioBank and SNS retail savings rates in December. Seeking to encourage the build-up and retention of a financial buffer, our brands will continue to offer retail customers with savings balances of up to € 25,000 an interest rate of at least 0.01% in 2020, and preferably longer. Furthermore, we will not reduce the savings rates to below zero per cent for retail customers with savings balances of up to € 100,000.

The way in which we fulfil our role in society has undoubtedly contributed to the consistently high growth in the number of current account customers. Marginally higher than in 2018, net growth totalled € 80,000 in 2019. This means that we have now exceeded our 2020 target of 1.5 million current account customers. Measured by the Net Promoter Score, customer appreciation showed a limited increase. Our retail mortgage portfolio grew by € 0.9 billion to € 48.2 billion, with a decline being noted in the second half of the year as a result of high redemptions. Despite falling savings rates, retail savings grew by € 1 billion to € 38.4 billion. Here, too, the growth was seen entirely in the first six months.

Simplicity, efficiency and controlling operating expenses continue to be essential preconditions for achieving our objectives. Of the 800 to 900 FTE reduction indicated in 2016, we achieved an FTE reduction of 357 by the end of 2019. Measured by FTEs, the number of staff dropped by 149 in 2019. For the first time since 2016, the reduction consisted almost exclusively of external employees. This was due to the completion of a number of projects. Partly because of the increased regulatory requirements, we do not expect to realise the reduction specified in 2016 by 2020.
The employee Net Promoter Score improved in 2019 from -20% to -1%. We introduced a new ‘Shared Value’ measure in 2019: the KPI ‘Genuine attention for employees’. In the first measurement, this KPI got a score of 7.6. A second measurement in October produced a score of 7.7. The target for this KPI for 2020 has been set at 7.5 as a minimum.

De Volksbank was proclaimed the winner of the *Driehoek 3D Trofee* in December. We won this trophy for the robust and substantive discussions between the Works Council, the Supervisory Board and the Board of Directors and for the way in which the Works Council is proactively involved in the implementation of banking with a human touch.

We adjusted our capital targets in the first half of 2019. For the end of 2020, our target is a CET1 capital ratio of at least 19%, calculated based on a full phase-in of Basel IV, and for the leverage ratio we apply a minimum of 4.75%. Capital that sustainably exceeds our minimum targets is available for distribution, subject to regulatory approval. This resulted in a € 250 million capital distribution to our shareholder, NLFI, in December.
Our capital position remained strong even after this capital distribution; at the end of 2019 the CET1 capital ratio was 32.6% and the leverage ratio stood at 5.1%. This means that de Volksbank continues to be one of the best capitalised retail banks in Europe.

The sustained low interest rate environment translated into a 4% drop in net interest income in 2019. Operating expenses fell by 6%, mainly driven by lower restructuring and staff costs, lower regulatory levies and a refund from the settlement of the deposit guarantee scheme for DSB. Although 2019 saw a reversal of expected credit losses of loans and advances, the reversal was lower compared with 2018. The effective tax rate was down. In all, net profit rose by 3% to € 275 million. The Return on Equity rose marginally to 7.7%, slightly below our target of 8%.

We propose to pay out a dividend of € 165 million on the 2019 profit. This implies a payout ratio of 60%, the top of the applied target range of 40-60%.

On 14 November, de Volksbank's future was on the agenda of a general consultation between the Minister of Finance and the financial spokespersons for the political parties in the House of Representatives. The reason for the consultation was the Minister's letter to the House of Representatives about NLFI's annual report on de Volksbank. In the letter, the Minister wrote that a decision with respect to de Volksbank's future could not be made at this time based on the NLFI report and market conditions, despite the fact that the three-year period previously indicated had expired. During the consultation, the Minister expressed his intention to present a broader perspective on the diversity of the Dutch banking landscape in the next six months.

At de Volksbank, we are currently exploring ways to optimise our business model. Our aim is to ensure that the bank is and remains agile, resilient and shockproof. In this context, we are looking at the options of diversifying income and cutting costs. The sustained low interest rate environment, financial and technological developments with related investments, and rising costs incurred to comply with laws and regulations make this a tough challenge.
Our study should lead to a new strategic plan. We will inform NLFI of the results of our study in the course of 2020. NLFI will prepare a new report on this basis and send it to the Minister in the autumn of 2020.
In the months ahead, the Minister will consult with NLFI and de Volksbank to explore a number of options for privatisation. The starting point here is that our bank's social character should be retained in any type of privatisation.

For 2020, we expect lower interest income from our mortgage portfolio as the interest rate environment will stay low. Given our interest rate policy for savings, lower interest expenses will not fully compensate for this drop. The decrease in operating expenses is also finite. We are expecting a lower net profit for 2020 as a result.

In January 2020, we launched a campaign to show the Netherlands the connection between de Volksbank and its brands. Key in this campaign is the promise 'Better for each other', an umbrella catchphrase for our mission, Banking with a human touch, and our Shared Value ambition. In 2020 we will continue, with full commitment and pleasure, to deliver on this promise."

Developments in Shared Value ambition

Progress on objectives

We measure the progress in achieving our mission and the realisation of our Shared Value ambition by means of specific objectives that we defined in 2016 for our four stakeholder groups:

Objectives	31-12-2019	30-6-2019	31-12-2018	Target 2020
BENEFITS FOR CUSTOMERS				
Customer-weighted average Net Promoter Score (NPS)[1]	0	+1	-1	+10
ASN Bank	+17	+16	+18	
BLG Wonen	-17	-17	-22	
RegioBank	+14	+12	+12	
SNS	-11	-7	-11	
Current account customers (in 1,000)	1,568	1,531	1,488	1,500
RESPONSIBILITY FOR SOCIETY				
Climate-neutral balance sheet[1]	44%	41%	37%	45%
Financial confidence barometer[2]	48%	49%	49%	>50%
GENUINE ATTENTION FOR OUR EMPLOYEES				
Genuine attention	7.7	7.6	na	≥ 7.5
Commitment	8.0	na	7.4	8.0
Engagement	7.4	na	7.2	8.0
RETURNS FOR THE SHAREHOLDER				
Return on Equity (RoE)[3]	7.7%	8.6%	7.6%[3]	8.0%
OTHER OBJECTIVES				
Cost/income ratio	57.3%	54.3%	58.7%[3]	50-52%
Common Equity Tier 1 ratio	32.6%	37.1%	35.5%	≥ 19.0%
Leverage ratio	5.1%	5.3%	5.5%	≥ 4.75%

1 For the methodology for the calculation of these KPIs, reference is made to the 2018 Annual Report, chapter About the non-financial information.
2 Based on the moving average of the past 6 months. For the methodology, please refer to the Annual Report 2018, Section 3.3.1 Financial resilience.
3 Adjusted for the impact of incidental items (see Financial results).

Benefits for customers

We aim to be a bank where customers feel at home and that looks from its customers' perspective by coming up with fair banking products. Growth in the number of current accounts and the positive trend in customer satisfaction, as expressed in the Net Promoter Score (NPS), indicate that customers appreciate our mission of Banking with a human touch.

Net Promoter Score

The customer-weighted average of all brand-specific NPSs[1] reache zero at the end of 2019. ASN Bank and RegioBank are among the select group of Dutch banks with a positive NPS. The NPS at RegioBank rose to +14 and that of ASN Bank remained virtually stable. The NPS at BLG Wonen rose from -22 to -17 and, at -11, that of SNS was equal to its NPS at the end of 2018.

Number of current account customers

The number of current account customers rose by 80,000 (150,000 gross) to 1.57 million in 2019, thus exceeding the target of 1.5 million current account customers at year-end 2020 a year early.

1 Marks on a 1 to 10 scale determine if a customer is a 'promoter' (9-10), 'passively satisfied' (7-8) or a 'detractor' (0-6). A positive NPS requires the percentage of promoters to be higher than the percentage of detractors.

Responsibility for society

We want to make a positive contribution to society. Through our core activities mortgages, savings and payments, we can have a considerable positive impact on sustainability in our chain and our customers' financial resilience.

Climate-neutral balance sheet

De Volksbank wants to contribute to keeping the planet habitable and to limiting the global temperature increase. This is why we have set ourselves the goal of having a climate-neutral balance sheet by 2030 at the latest. We have a climate-neutral balance sheet when our entire bank balance sheet causes as many emissions (CO2 loss) as we avoid, reduce or even take out of the air (CO2 profit). We have been measuring the climate impact of our investments and loan portfolio since 2015, the results of which are shown in a carbon balance sheet.
At the end of 2019, our balance sheet was 44% climate neutral. This is an improvement of 7 percentage points compared with year-end 2018. This improvement was primarily the result of financing renewable energy projects and the purchase of a number of green bonds that indirectly realise renewable energy projects. This led to an overall increase of 70 kilotons of avoided CO2 emissions.
The CO2 loss of our balance sheet, mainly caused by the number of financed homes on our balance sheet, amounted to 1,290 kilotons of CO2 emissions (2018: 1,357 kilotons). The emissions are currently estimated on the basis of the provisional and final energy labels of the homes we finance. The average energy label of our mortgage portfolio remained unchanged at D. Of our customers, 26% have a home with energy label A or B. For the other homes that we finance with energy labels C to G, there is still significant room for improvement through, for example, insulation or solar panels.
Incidentally, a higher grade energy label does not necessarily mean that the energy consumption, and thus the CO2 emissions of a home, is reduced. For this reason, we want to recalculate the CO2 emissions of the residential portfolio on the basis of the actual energy consumption data. In 2019, we held discussions on this subject with Statistics Netherlands (*CBS*) and Dutch grid managers on the supply of data at portfolio level.

Financial resilience

We want to encourage and help our customers to increase their financial resilience. In early 2018, we made financial resilience measurable in a KPI. In a monthly survey, we ask 530 of our customers if they notice that the bank is there to help them in case of financial stress. The respondents answer the question on a scale of 1 (totally disagree) to 100 (totally agree). At the end of 2019, this score was 48%, compared with 49% at year-end 2018. For 2020, we aim for a score of more than 50%.

Alos in 2019, we endeavoured to contribute to our customers' financial resilience in different ways. For example, SNS participated in the Dutch Debt Support programme on behalf of de Volksbank. This programme is aimed at preventing and solving problematic debts. SNS also organised special information sessions for customers with interest-only mortgages. On behalf of the brands BLG Wonen, RegioBank and SNS, de Volkbank participated in the nationwide *Aflossingsblij* campaign, a joint initiative of the Dutch banks to make people aware that they need to repay their interest-only mortgage. SNS also continued to send out alert messages to make customers aware of possible overinsurance and opportunities to reduce their mortgage costs (the SNS Mortgage Term Monitoring Service).

The ninth 'Money Smart Week' was held at the end of March 2019. The Money Smart Week is coordinated by the Money Wise Platform, an initiative of the Ministry of Finance, in which partners from various sectors join forces to promote responsible financial behaviour in the Netherlands. All Dutch banks combined gave over 4,000 guest lessons at a large number of primary schools throughout the country. Employees of de Volksbank gave nearly 500 guest lessons, including 211 *Eurowijs* lessons. *Eurowijs* ('euro wise') is an initiative of de Volksbank and its brands and provides free teaching materials for primary and lower secondary education groups as well as for special education. In 2019, we reached 216,000 pupils with our Eurowijs teaching materials.

Genuine attention for employees

From 2019, we give new substance to shared value for employees that better fits our mission. We want to empower employees to make a meaningful contribution to our mission and strategy by giving genuine attention to autonomy, personal growth and professionalism. This new interpretation was developed with the input of our employees and contains the following elements:
- a meaningful contribution to our mission and strategy, and being appreciated for it;
- an open and people-oriented working environment that is based on trust;

- room for professionalism and personal growth, with a manager who facilitates and stimulates this.

Translated into objectives, this means that we:

- replaced the KPI for the 'Employee Net Promoter Score (eNPS)' in 2019 by a new KPI 'Genuine attention for employees';
- aim for a score of at least 7.5 (on a 1-10 scale) in 2020 on the KPI 'Genuine attention for employees'. In the baseline measurement in April 2019 the KPI was 7.6, and in a second measurement, which was part of the employee survey in October 2019, the score was 7.7. We expect it will be a challenge to maintain the high scores;
- aim for a score of at least 8.0 in 2020 for commitment and engagement. Engagement, i.e. the degree of passion employees experience in their work ('I love my job'), rose from 7.2 to 7.4. Commitment, i.e. the extent to which employees feel a connection with the organisation ('I love my company') rose from 7.4 to 8.0.

Returns for the shareholder

Return on Equity

For the Return on Equity (RoE), we pursue a target of 8%.

At 7.7%, the RoE was slightly up compared with 2018 (7.6%). This increase was attributable to a higher net result, partly offset by higher shareholders’ equity. This puts us slightly below our target of 8%. The return was achieved with a strong capital position when compared with other European banks.

Other objectives

Capital

We adjusted our capital targets in the first half of 2019. For 2020, our target is a leverage ratio of at least 4.75% (previously at least 4.25%) and a CET1 capital ratio of at least 19% based on a full phase-in of Basel IV (previously at least 15%).

Our leverage ratio target is in line with the anticipated leverage ratio of comparable European banks and contains an ample management buffer to withstand severe stress scenarios. After the full phase-in of Basel IV, the minimum leverage ratio target of 4.75% is expected to be in keeping with a CET1 capital ratio target of at least 19%. Both targets are well above the regulatory requirements and offer ample buffers to withstand severe stress scenarios. They also take account of other uncertainties, such as the impact of future regulatory requirements, including Basel IV.

The CET1 capital ratio dropped to 32.6% (year-end 2018: 35.5%), driven by both the decrease in the CET1 capital and an increase in risk-weighted assets (RWA). This kept the CET1 capital ratio well above our target of at least 19%.

Based on the agreement reached on Basel IV regulations in December 2017, we expect our RWA to go up by approximately 40% and our CET1 capital ratio to go down by well over 9 percentage points as a consequence.

The leverage ratio decreased to 5.1%, from 5.5% at year-end 2018, driven by both a € 158 million decrease in the CET1 capital and an increase in the denominator of the leverage ratio by € 1.4 billion, in line with the growth of the balance sheet total.

Cost/income ratio

In 2016, we set a target range of 50% to 52% for the cost/income ratio (operating expenses, excluding regulatory levies divided by total income) for 2020.
In the 2019 interim results, we indicated that we do not expect to meet this target range, due in part to the increasing pressure on net interest income in the current low interest rate environment. Moreover, the total operating expenses declined less strongly than expected, in particular as a result of additional costs related to laws and regulations, for example for transaction monitoring.

In 2019, the cost/income ratio improved to 57.3%, from 58.7% in 2018. This was entirely attributable to lower operating expenses.

Outlook

As a result of the international economic slowdown, the Dutch economy is expected to lose further momentum in the period ahead. Uncertainty surrounding Brexit has decreased for the time being, but a possible failure of the negotiations between Brussels and London on a new trade agreement remains a major risk. The Dutch economy's loss of momentum could, nevertheless, be very limited thanks to continued robust domestic demand. Unemployment is expected to stabilise at its current low level. Rising house prices are expected to level off slightly, while the extremely low number of houses for sale will lead to a slight decrease in the number of transactions.
Given the prospects of moderate growth and low inflation in the eurozone and - related to this - an extremely accommodating monetary policy of the European Central Bank (ECB), the current low interest rate climate will persist for a longer period of time.

Net interest income in 2020 is expected to be lower than in 2019, especially as a result of lower interest income on mortgages in the sustained low interest rate environment. Given our interest rate policy for savings rates for 2020, lower interest expenses on savings will not be able to compensate for this drop.

For 2020, we do not expect a further reduction in the total operating expenses excluding regulatory levies.

Given the macroeconomic outlook, we expect impairments on loans and advances to remain low.

All things considered, we are expecting the net profit for 2020 to be lower compared with 2019.

Economic developments

The Dutch economy

In 2019, the Dutch economy lost momentum for the second year in a row, but did outperform most other eurozone countries. Consumption was the stable positive factor, while net exports and investments fluctuated strongly quarter-on-quarter. At 2.5%, job growth was high at the beginning of the year, but levelled off after that. This brought an end to the trend of falling unemployment: by the end of 2019, the unemployment rate was virtually unchanged at 3.2% compared with the year before. The long-term low unemployment rate did, however, result in a steady average wage growth to more than 2.5%. Due to the introduction of a higher VAT rate and an energy tax, inflation in the Netherlands was higher than in other EU countries. In January inflation rose to 2.2% and the year ended at 2.7%.

Interest rates and government bond yields

At the end of 2018, the European Central Bank (ECB) was still determined to implement the first interest rate increase in 2019. Due to disappointing macroeconomic figures in the eurozone, not least in Germany, and sharply declining inflation expectations, the ECB backtracked on this. The monetary policy was relaxed again in three stages. The deposit interest rate was lowered to -0.5% in September, while no longer being tied to a fixed term. As of November, € 20 billion in securities was also purchased again on a monthly basis. In order to ease the pain of the negative interest rate for the banking sector, it was decided to introduce a 'two-tier' system. This allowed banks to deposit an amount equal to seven times the minimum reserve requirements at the ECB at a rate of 0%.

In anticipation of these interventions, the German 10-year yield fell sharply to -0.7%. When the final measures fell somewhat short of expectations, interest rate levels recovered slightly. The absence of a hard Brexit and the provisional easing of concerns about the Chinese-American trade tensions certainly also influenced this recovery. The year ended with a German 10-year yield of -0.2%. As a result of the introduction of the two-tier system, interest rates on the short end of the yield curve increased at a somewhat faster rate due to transactions between banks with larger quantities and banks with smaller quantities of reserves. On balance, the yield curve dropped sharply, especially on the long end of the curve.

Housing and mortgage market

The slight increase in the number of houses for sale that occurred at the end of 2018 did not continue in 2019. The number declined in all regions. Despite the tight market, the number of transactions remained unchanged compared with 2018. At the beginning of the year, there seemed to be a decline, but later in the year the number of transactions was again slightly higher than in the corresponding period a year earlier. Prices in the housing market continued to rise and stood at 6.9%, after an increase of 9.0% in 2018.

Savings market

In 2019, the Dutch retail savings market grew to € 368 billion, an increase of 4% (year-end 2018: € 354 billion). The interest rate cuts for savings continued in 2019. At current interest rate levels, savers’ savings behaviour is no longer determined by interest income, but by the need for buffers.

Commercial developments

Commercial developments

	31-12-2019	30-6-2019	31-12-2018
CUSTOMERS AND CURRENT ACCOUNTS			
Total number of customers (in 1,000)	3,270	3,238	3,202
Total number of current account customers (in 1,000)	1,568	1,531	1,488
Market share new current accounts[1]	21%	21%	24%
MORTGAGES			
Retail mortgages (gross in € billions)	48.2	48.5	47.3
Market share new mortgages (in #)[2]	6.1%	6.5%	7.2%
Market share mortgage portfolio (in €)[3]	6.5%[4]	6.6%	6.5%
SAVINGS			
Retail savings (in € billions)	38.4	38.5	37.4
Market share retail savings	10.4%	10.4%	10.6%

1 Source: Ipsos market research, based on Moving Annual Total (MAT), at the end of each reporting period, looking back over the last 12 months.
2 Based on CBS data. Market shares as at 30-06-2019 have been adjusted due to adjustments of market size figures by CBS.
3 Based on CBS data. Market shares as at 31-12-2019 have been adjusted due to adjustments of market size figures by CBS.
4 Third quarter 2019 figures because total market size figures were not yet available.

Customers and current accounts

In 2019, ASN Bank, BLG Wonen, RegioBank and SNS combined welcomed 219,000 new customers. Setting this off against customers who left the bank, the total number of customers rose by 68,000. As in 2018, this increase was largely attributable to the growth in the number of current account customers. This number rose by 80,000 (150,000 gross) to 1,568,000. Net growth was slightly higher than in 2018 (79,000). The lower gross growth was compensated by an adjustment of 18,000 inactive current account customers in 2018.

De Volksbank's market share of new current accounts remained high at 21% (2018: 24%). This market share has been 20% or more since 2014, significantly above the market share on a total portfolio basis of 8%.

Mortgages

The Dutch mortgage market saw growth compared with 2018, largely due to strong remortgage growth. Measured in terms of new mortgage lending, the market grew by 9%, and measured in euros by 16% to € 123 billion. The increase in euros was larger than the increase in numbers as the average principal showed an increase.

New mortgage production fell to € 5.5 billion, from € 5.9 billion in 2018 (-7%). The market share of new mortgages was 6.1%, also lower compared with 2018 (7.2%). This decline was due to competition in the mortgage market and the further increased demand for mortgages with a fixed-rate term of 15 years or more. Their share of the total market increased to 59%, compared with 56% in 2018. Based on the total retail mortgage portfolio, our market share remained stable at 6.5%.

Interest rate renewals amounted to nearly € 2.8 billion, a decline compared with 2018 (€ 3.3 billion). Of these renewals, approximately one fifth were early renewals (2018: approximately 25%). The number of early renewals decreased because a large part of the portfolio had seen renewals in previous years. Regular interest rate renewals were virtually stable.

Repayments amounted to € 5.3 billion, up compared with 2018 (€ 4.6 billion). This was partly due to a growing portfolio, an increase in the number of people moving house, fierce competition in the remortgage market and an increase in the repayments of bridging loans.

Contractual repayments also gradually increased in line with the changing composition of the mortgage portfolio, mainly reflected in an increase in annuity mortgages.

De Volksbank managed to slightly grow its retail mortgage portfolio because mortgage production exceeded redemptions by € 0.2 billion. In addition, as a result of lower interest rates, IFRS valuation adjustments related to hedge accounting increased from € 0.5 billion at year-end 2018 to € 1.2 billion. On balance, the retail mortgage portfolio grew from € 47.3 billion at year-end 2018 to € 48.2 billion (gross book value).

As a result of the high demand for mortgages with a fixed-rate term of 15 years or more, the share of these mortgages in the total portfolio grew to 19.6% (€ 9.2 billion), compared with 18.3% at year-end 2018 (€ 8.6 billion). The share of mortgages with fixed-rate terms of 10 to 15 years also increased, from 64% at year-end 2018 to 66%.

Savings

Despite the historically low savings rates, the Dutch retail savings market grew slightly to € 368 billion, from € 354 billion at year-end 2018.

De Volksbank's retail savings balances rose to € 38.4 billion compared with € 37.4 billion at year-end 2018. Nevertheless, the market share fell to 10.4% at year-end 2018 (10.6%).

Financial results

Profit and loss account

in € millions	2019	2018	Change	2nd half 2019	1st half 2019
Net interest income	875	908	-4%	433	442
Net fee and commission income	51	44	16%	26	25
Other income	3	6	-50%	-1	4
Total income	**929**	**958**	**-3%**	**458**	**471**
Operating expenses excluding regulatory levies	533	562	-5%	278	255
Regulatory levies	41	47	-13%	18	23
Total operating expenses	**574**	**609**	**-6%**	**296**	**278**
Impairment charges financial assets	-7	-12	42%	6	-13
Result before taxation	**362**	**361**	**0%**	**156**	**206**
Taxation	87	93	-6%	35	52
Net result	**275**	**268**	**3%**	**121**	**154**
Cost/income ratio[1]	57.3%	58.7%		60.4%	54.3%
Return on Equity (RoE)[2]	7.7%	7.6%		6.7%	8.6%
Net interest margin (bps)[3]	1.37%	1.47%		1.34%	1.40%
Operating expenses as a % of average assets[4]	0.83%	0.91%		0.86%	0.81%

1 Total operating expenses adjusted for the impact of regulatory levies / total income.
2 Net result / average month-end total equity for the reporting period.
3 Net interest income / average month-end total assets for the reporting period.
4 Operating expenses adjusted for regulatory levies / average month-end total assets for the reporting period.

Net profit

Net profit showed an increase to € 275 million, compared with € 268 million in 2018 (+3%). The increase was largely attributable to € 35 million lower total operating expenses and a slightly lower tax rate than for 2018. These positive factors were partly offset by € 29 million lower total income and a € 5 million lower reversal of expected credit losses of financial assets.

The Return on Equity (RoE) amounted to 7.7%, slightly up compared with 2018 (7.6%). This increase was driven by a higher net profit, partly offset by higher average equity.

Lower operating expenses excluding regulatory levies resulted in an improvement in the cost / income ratio to 57.3%, from 58.7% in 2018.

Income

Breakdown income

in € millions	2019	2018	Change	2nd half 2019	1st half 2019
Net interest income	875	908	-4%	433	442
Net fee and commission income	51	44	16%	26	25
Investment income	12	3	300%	4	8
Other results on financial instruments	-10	2	-	-5	-5
Other operating income	1	1	0%	--	1
Total income	**929**	**958**	**-3%**	**458**	**471**
Net interest margin (bps)	1.37%	1.47%		1.34%	1.40%

Total income fell by € 29 million to € 929 million (-3%), driven by lower net interest income.

Net interest income

Net interest income declined by € 33 million to € 875 million (-4%). This was mainly due to lower income on mortgages as a result of (early) interest rate renewals at lower rates. In addition, new mortgage production was concluded at substantially lower rates than the rates of repaid mortgages. Compensation received for interest losses for early renewals and mortgage repayments was substantial, but lower than in 2018.

Lower interest income on mortgages was partly compensated by lower interest expenses related to the use of derivatives to manage the interest rate risk and reductions in interest rates on savings accounts.

The interest margin dropped to 1.37%, compared with 1.47% in 2018. This drop was caused by lower net interest income and a higher average level of assets, each of which was responsible for 5 basis points of the decline.

Net fee and commission income

Net fee and commission income showed a € 7 million increase to € 51 million. This increase was mainly driven by higher fees for payment transactions and mortgage advice.

Higher distribution fees paid to franchisees as a result of an increase in the number of franchised stores negatively affected net fee and commission income.

Investment income

Investment income rose by € 9 million to € 12 million, largely driven by higher realised results on fixed-income investments sold as part of asset and liability management and optimisation of the investment portfolio.

Other results on financial instruments

Other results on financial instruments showed a swing from € 2 million positive in 2018 to € 10 million negative. This was largely attributable to a lower result due to hedge ineffectiveness of derivatives in relation to the IFRS value adjustments for mortgages, for example. In 2018, this result was slightly positive, in 2019 it was negative.

Expenses

Operating expenses and FTE

in € millions	2019	2018	Change	2nd half 2019	1st half 2019
Staff costs	373	402	-7%	187	186
Depreciation of (in)tangible assets	36	21	71%	20	16
Other operating expenses	165	186	-11%	89	76
Total operating expenses	**574**	**609**	**-6%**	**296**	**278**
Regulatory levies (included in other operating expenses)	41	47	-13%	18	23
Adjusted operating expenses	**533**	**562**	**-5%**	**278**	**255**
Cost/income ratio	57.3%	58.7%		60.4%	54.3%
Operating expenses as a % of average assets	0.83%	0.91%		0.86%	0.81%
FTE					
Total number of internal FTEs	2,991	2,993	0%	2,991	3,015
Total number of external FTEs	657	804	-18%	657	678
Total number of FTEs	**3,648**	**3,797**	**-4%**	**3,648**	**3,693**

Total operating expenses fell by € 35 million to € 574 million, of which € 6 million for lower regulatory levies.

Regulatory levies amounted to € 41 million, of which € 7 million were related to the contribution to the resolution fund (2018: € 15 million) and € 34 million to the ex-ante Deposit Guarantee Scheme (DGS) contribution (2018: € 32 million). The contribution to the resolution fund for 2018 was based on the situation in 2016, the year in which the legal merger between SNS Bank N.V., ASN Bank N.V. and RegioBank N.V. was effected. Because of this, ASN Bank's and RegioBank's covered deposits were not taken into account in the methodology used by the Single Resolution Board (SRB) to determine the annual contribution. The higher DGS contribution is particularly driven by the growth in covered deposits.

Adjusted for regulatory levies, operating expenses decreased by € 29 million to € 533 million, primarily as a result of a € 29 million reduction in staff costs. Of this reduction, € 15 million was related to lower reorganisation charges. In 2018, the addition to the restructuring provision amounted to € 21 million in connection with initiatives to simplify and improve our business operations. In 2019, the addition amounted to € 6 million. Furthermore, a reduction in the total number of FTEs by 149 contributed to the staff cost reduction.

Depreciation of tangible assets and amortisation of intangible assets amounted to € 36 million, an increase of € 15 million. This largely reflected the impact of IFRS 16 Leases, resulting in a reclass of € 12 million from other operating expenses (offices) to depreciation.

Other operating expenses excluding regulatory levies fell by € 21 million, mainly as a result of the aforementioned reclass. In addition, 2019 included a positive revaluation of € 7 million related to a previous contribution to the DGS in connection with the bankruptcy of DSB. And finally, external consultancy costs, largely related to regulatory and compliance-related projects, dropped by € 8 million. In 2018, other operating expenses comprised a release of provisions in the amount of € 11 million in 2018, mainly related to the Uniform Recovery Framework pertaining to SME Interest Rate Derivatives.

Adjusted operating expenses divided by average total assets improved from 91 basis points (bps) in 2018 to 83 bps as a result of both lower adjusted operating expenses and higher average total assets.

Compared with year-end 2018, the total number of employees measured in FTE declined by 149 to 3,648 FTEs (-4%). The number of internal employees at year-end stood at 2,991, almost stable compared with year-end 2018. The number of external employees dropped from 804 to 657 FTEs, particularly due to the completion of projects.

Impairment charges of financial assets

Impairment charges of financial assets

in € millions	2019	2018	Change	2nd half 2019	1st half 2019
Retail mortgage loans	2	-8	-	10	-8
Other retail loans	-2	-1	-100%	-2	--
SME loans	-8	-5	-60%	-5	-3
Other commercial loans and loans to the public sector	2	1	100%	3	-1
Investments	-1	1	-	--	-1
Total impairment charges of financial assets	**-7**	**-12**	**42%**	**6**	**-13**
Cost of risk total loans	-0.01%	-0.03%		0.01%	-0.05%
Cost of risk retail mortgage loans	0.00%	-0.02%		0.04%	-0.03%
Cost of risk SME loans	-1.05%	-0.75%		-1.42%	-0.69%

In 2019, we saw a reversal of expected credit losses of financial assets of € 7 million, a decrease compared with a reversal of € 12 million in 2018.

Impairments on retail mortgages amounted to € 2 million after a reversal of € 8 million in 2018. Both periods saw a decrease in stage 3 loans following improved economic conditions, particularly with regard to the Dutch housing market and unemployment. In 2018, this resulted in a reversal of expected credit losses, despite an additional provision for stage 3 loans that had been in default for over 5 years.
In 2019, the release as a result of a decrease in stage 3 loans was more than offset by additional impairments for interest-only mortgages and in connection with adjustments in the provisioning model that particularly affected stage 2 loans.

The reversal of expected credit losses on other retail loans amounted to € 2 million (2018: € 1 million), mainly due to an interest correction for default loans.

The reversal of expected credit losses on SME loans amounted to € 8 million as a result of a decrease in stage 2 loans due to the improved economic outlook used in scenarios to determine the loan loss provision. Stage 3 loans also decreased due to a recovery of customers in default. In 2018, the aforementioned aspects also resulted in a reversal, partly offset by an additional charge for stage 3 loans that had been in default for over 5 years.

Impairments on other commercial loans and loans to the public sector amounted to € 2 million (2018: € 1 million).

Taxation

De Volksbank accounted for € 87 million in corporation tax on the result for 2019. The effective tax rate was 24% (2018: 26%), at a nominal rate of 25%. The lower tax rate was the result of the revaluation of a net deferred tax asset at higher corporation tax rates in 2020 and 2021 than previously assumed. For 2020, the rate will remain unchanged at 25%, where previously a decrease to 22.55% was assumed. In fact, in 2018, the expected decrease in corporation tax rates resulted in a higher tax rate, partly compensated by a tax gain in connection with adjustments related to the settlement of the tax return for the year 2016.

Results of the second half of 2019 compared with the first half of 2019

Compared with the first half of 2019, net profit decreased from € 154 million to € 121 million (-21%). This drop was entirely attributable to lower total income, higher total operating expenses and a swing in higher impairments.

Total income fell by € 13 million to € 458 million. Net interest income of € 433 million was € 9 million lower, mainly attributable to lower income on mortgages as a result of (early) interest rate renewals at lower mortgage rates. In addition, new mortgage production was concluded at substantially lower rates than the rates of repaid mortgages. The lower income on mortgages was partly compensated by lower interest charges as a result of reductions in interest rates on savings accounts.

Net fee and commission income of € 26 million was slightly up compared with the first half (€ 25 million).

Investment income fell from € 8 million to € 4 million, largely driven by lower realised results on fixed-income investments.

Other results on financial instruments were € 5 million negative, equal to the first half of 2019. In both periods, the result on hedge ineffectiveness of derivatives was negative.

Total operating expenses rose by € 18 million to € 296 million. Regulatory levies amounted to € 18 million, down € 5 million compared with the first half of 2019. This is more than wholly attributable to the fact that the full annual resolution fund contribution in the amount of € 7 million is recognised in the first half of 2019. The DGS contribution was up by € 2 million.

Excluding regulatory levies, the operating expenses rose by € 23 million to € 278 million. Of this amount, € 7 million related to a positive revaluation in the first half for a contribution made earlier to the DGS in connection with the bankruptcy of DSB. Apart from this, marketing costs were higher in the second half and amortisation charges rose by € 4 million due to the depreciation of tangible assets.

Impairments of financial assets amounted to € 6 million, after a reversal of € 13 million in the first half. This swing was primarily driven by the additional impairments of interest-only mortgages and adjustments to the provisioning model. This resulted in a € 10 million impairment of retail mortgages, after a reversal of € 8 million in the first half. Other commercial loans and loans to the public sector also saw a swing from a reversal of € 1 million to an addition of € 3 million, particularly as a result of an increased credit risk on one specific loan provided.

The effective tax rate in the second half of 2019 was 23%, caused by the valuation of a net deferred tax asset at higher corporation tax rates in 2020 and 2021. At 25%, the effective tax rate in the first half was equal to the nominal rate.

Risk management

Banking activities involve risks. To identify the main types of risk, de Volksbank annually carries out a Strategic Risk Assessment (SRA). In 2019, the SRA resulted in a number of adjustments to the risk classification. We thus introduced two new types of risk: the sustainability risk and the organisational risk.

Sustainability risk is the risk of financial and/or reputational damage as a result of ecological and/or social developments.
In 2016, de Volksbank adopted the ASN Sustainability Policy for the entire bank. Since then, sustainability has been embedded in all parts of the organisation and business activities and has become an explicit part of risk management. This has resulted in the adoption of a Risk Appetite Statement for sustainability and in the determination of risk indicators to monitor the risk. The risk indicators encompass both ecological and social risks. We have also identified the factors affecting the risk. For example, climate change (physical risk), increased regulation and standardisation by the authorities and consumers' preferences (transition risk) may create financial losses for the bank. If de Volksbank fails to live up to society's sustainability expectations, reputational damage may arise.

Organisational risk is the risk that the bank is not able to respond quickly and in a controlled way to changes that may negatively impact the bank's business model with an adequate infrastructure and streamlined management processes. This type of risk also includes the capacity to change.
The bank is aware of its environment, which is changing at an increasingly rapid pace due to new entrants and the implementation of new technologies. Various analyses are conducted to monitor these changes, estimate their relevance to the bank and establish how we wish to respond to them. The analyses have resulted in the identification of the developments that are most important to the bank. The number of change programmes is as large as ever, and they require a great deal of resources and expertise. The risk that the results of our change programmes will not be achieved in a timely manner still exists. That is why further improvements were implemented in 2019 focused on strengthening central management and the risk management of the programme portfolio.

Credit risk

in € millions	31-12-2019	31-12-2018
Retail mortgage loans[1]	48,161	47,320
Other retail loans	87	110
SME loans	704	743
Other commercial loans and loans to the public sector	1,628	2,489
Total loans and advances to customers[2]	**50,580**	**50,662**
CREDIT RISK INDICATORS		
Total loans and advances to customers		
Loans and advances in stage 3	645	657
Stage 3 ratio	1.3%	1.3%
Stage 3 coverage ratio	12.9%	15.4%
Retail mortgage loans		
Retail mortgage loans in stage 3	540	549
Stage 3 ratio	1.1%	1.2%
Stage 3 coverage ratio	8.0%	8.4%
In arrears	1.0%	1.1%
NHG guaranteed	29%	30%
Weighted average indexed LtV	67%	70%

1 Including IFRS value adjustments.
2 Gross carrying amounts.

Total loans and advances to customers
Total gross loans and advances to customers fell by € 82 million to € 50.6 billion in 2019, mainly related to a drop in other commercial loans and loans to the public sector. The retail mortgage portfolio increased, whereas the other portfolios decreased.
The risk profile of the loan portfolio continued to improve not only thanks to favourable macroeconomic conditions, in particular the strong housing market, but also thanks to the efforts of the Arrears Management department. The stage 3 ratio – stage 3 loans expressed as a percentage of total loans and advances – remained flat at 1.3%.

Retail mortgages
In 2019, the retail mortgage portfolio increased by € 0.9 billion to over € 48.1 billion. The growth was achieved in the first six months; a slight drop was seen in the second half of the year. Rising house prices resulted in a higher collateral value of mortgages, having a positive impact on the average Loan-to-Value (LtV), which improved from 70% to 67%.

Adjustments to the provisioning methodology for interest-only mortgages and the provisioning model translated into an increase in the number of customers and, accordingly, in the amount of loans and advances in stage 2.

Stage 3 loans at the end of 2019 are slightly below the level recorded at the end of 2018, which is largely due to a drop in the number of customers defaulting due to arrears. Following an adjustment to the classification of non-performing forborne mortgages, stage 3 retail mortgages saw an increase in the second half of 2019. We have made a provision of € 43 million for all retail mortgages in stage 3, amounting to € 540 million. This translates into a stage 3 coverage ratio of 8.0% (year-end 2018: 8.4%). The stage 3 ratio, i.e. stage 3 loans expressed as a percentage of total loans and advances, dropped from 1.2% to 1.1%.

Other retail loans
The size of the other retail loans portfolio, consisting of personal loans, revolving credit and overdraft facilities (a credit limit on a current account), is limited. As we stopped providing personal loans and revolving credit facilities in 2011, the portfolio has a natural decline. We also screened the entire revolving credit portfolio over the past 18 months and contacted all customers with such a credit facility. Thus, 32% terminated their revolving credit facility and 52% of all accounts were blocked for new withdrawals.

The size of other retail loans decreased, from € 110 million gross as at the end of 2018 to € 87 million. The amount of loans and advances in arrears dropped from € 22 million as at the end of 2018 to € 13 million, primarily driven by the write-down of arrears of more than 90 days. As new inflow is absent, the number of stage 3 loans is high compared with retail mortgages and SME loans. Other retail loans are unsecured, which means that almost full provisions need to be made for them in stage 3.

The portfolio is expected to decline even further in 2020. Customers with a high risk profile who are still actively using their revolving credit will be contacted again in 2020 to determine whether the current expenses for this loan are still appropriate considering their current financial situation.

SME loans

In early 2018, de Volksbank launched an initiative to provide loans to small enterprises, offering self-employed persons and small businesses possibilities to obtain funding where this generally proves difficult in the market. These cover both small working capital loans and mortgage loans for commercial real estate (commercial loans with a maximum of € 1 million). Although this resulted in a gradual increase in total production, the total amount of regular loan redemptions was still higher. To enhance new production of SME loans, we are developing a new execution-only mortgage product (taking out a mortgage without the intermediation of an adviser).

SME loans declined from € 743 million (gross) at the end of 2018 to € 704 million. Due to the provision of new loans, combined with lower prepayments, this decrease was more limited than in previous years. Loans in arrears dropped relatively faster, from € 35 million at the end of 2018 to € 26 million at the end of 2019.

The share of stage 1 loans is smaller in SME loans than in retail mortgages. We are making every effort to make more SME customers financially resilient and transfer them to stage 1. In 2019, this translated into a limited increase (of € 8 million) in the stage 1 portfolio to € 566 million.

Stage 2 loans dropped from € 99 million at the end of 2018 to € 67 million. The stage 2 loans mainly consist of customers with a deteriorated risk profile (Significant Increase in Credit Risk, SICR), who are not necessarily in arrears. An amount of € 64 million of the stage 2 loans did not involve any arrears.

Stage 3 loans dropped from € 86 million at the end of 2018 to € 71 million. Foreclosures resulted in lower stage 3 loans, and loans also moved to better stages. The stage 3 coverage ratio was 35.2% (end of 2018: 38.4%).

Other commercial loans and loans to the public sector

The portfolio of other commercial loans and loans to the public sector is characterised by mostly secured loans with an extremely low credit risk. Most of this portfolio is found in stage 1 (92%), as was the case at the end of 2018. In this portfolio, € 106 million has been classified as stage 2, for which a provision of less than € 1 million has been made.

Loans and advances to customers as at 31 December 2019

in € millions	Gross carrying amount	Provision for credit losses	Book value	Stage ratio	Coverage ratio
STAGE 1					
Retail mortgages	43,977	-6	43,971	93.6%	0.0%
Other retail loans	62	--	62	71.3%	0.0%
SME loans	566	-1	565	80.4%	0.2%
Other commercial loans and loans to the public sector	1,470	--	1,470	90.3%	0.0%
Total loans and advances to customers stage 1	**46,075**	**-7**	**46,068**	**93.3%**	**0.0%**
STAGE 2					
Retail mortgages	2,446	-22	2,424	5.2%	0.9%
Other retail loans	12	-1	11	13.8%	8.3%
SME loans	67	-5	62	9.5%	7.5%
Other commercial loans and loans to the public sector	137	-1	136	8.4%	0.7%
Total loans and advances to customers stage 2	**2,662**	**-29**	**2,633**	**5.4%**	**1.1%**
STAGE 3					
Retail mortgages	540	-43	497	1.1%	8.0%
Other retail loans	13	-13	--	14.9%	100.0%
SME loans	71	-25	46	10.1%	35.2%
Other commercial loans and loans to the public sector	21	-2	19	1.3%	9.5%
Total loans and advances to customers stage 3	**645**	**-83**	**562**	**1.3%**	**12.9%**
TOTAL STAGE 1, 2, 3					
Retail mortgages	46,963	-71	46,892		0.2%
Other retail loans	87	-14	73		16.1%
SME loans[1]	704	-31	673		4.4%
Other commercial loans and loans to the public sector	1,628	-3	1,625		0.2%
Total loans and advances stage 1, 2 and 3	**49,382**	**-119**	**49,263**		**0.2%**
IFRS value adjustments retail mortgages[2]	1,198	--	1,198		
Total loans and advances to customers	**50,580**	**-119**	**50,461**		**0.2%**
Off-balance sheet items[3]	2,548	-6	2,542		0.2%
Total maximum credit exposure loans and advances to customers	**53,128**	**-125**	**53,003**		**0.2%**

1 Gross SME loans include mortgage-backed loans for a gross amount of € 638 million.

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

3 Consists of off-balance sheet facilities (of which € 446 million revocable), guarantees and repurchase commitments.

Loans and advances to customers as at 31 December 2018

in € millions	Gross carrying amount	Provision for credit losses	Book value	Stage ratio	Coverage ratio
STAGE 1					
Retail mortgages	44,236	-2	44,234	94.5%	0.0%
Other retail loans	74	--	74	67.3%	0.0%
SME loans	558	-1	557	75.1%	0.2%
Other commercial loans and loans to the public sector	2,281	-1	2,280	91.6%	0.0%
Total loans and advances to customers stage 1	**47,149**	**-4**	**47,145**	**94.0%**	**0.0%**
STAGE 2					
Retail mortgages	2,039	-10	2,029	4.4%	0.5%
Other retail loans	14	-2	12	12.7%	14.3%
SME loans	99	-7	92	13.3%	7.1%
Other commercial loans and loans to the public sector	208	-2	206	8.4%	1.0%
Total loans and advances to customers stage 2	**2,360**	**-21**	**2,339**	**4.7%**	**0.9%**
STAGE 3					
Retail mortgages	549	-46	503	1.2%	8.4%
Other retail loans	22	-22	--	20.0%	100.0%
SME loans	86	-33	53	11.6%	38.4%
Other commercial loans and loans to the public sector	--	--	--	--	--
Total loans and advances to customers stage 3	**657**	**-101**	**556**	**1.3%**	**15.4%**
TOTAL STAGE 1, 2 AND 3					
Retail mortgages	46,824	-58	46,766		0.1%
Other retail loans	110	-24	86		21.8%
SME loans[1]	743	-41	702		5.5%
Other commercial loans and loans to the public sector	2,489	-3	2,486		0.1%
Total loans and advances stage 1, 2 and 3	**50,166**	**-126**	**50,040**		**0.3%**
IFRS value adjustments retail mortgages[2]	496	--	496		
Total loans and advances to customers	**50,662**	**-126**	**50,536**		**0.2%**
Off-balance sheet items[3]	2,694	-5	2,689		0.2%
Total maximum credit exposure loans and advances to customers	**53,356**	**-131**	**53,225**		**0.2%**

1 Gross SME loans include mortgage-backed loans for a gross amount of € 672 million.
2 Consisting of fair value adjustments from hedge accounting and amortisations.
3 Consists of off-balance sheet facilities (of which € 463 million revocable), guarantees and repurchase commitments.

Loan loss provisions

The total provision for loans and advances amounted to € 119 million as at 31 December 2019 (end of 2018: € 126 million). The decline in provisions was mainly visible in SME loans and other retail loans.

Retail mortgage provisions rose in connection with additional provisions for interest-only mortgages and adjustments to the provisioning model.
Provisions for other retail loans and SME loans both dropped by € 10 million, on the back of the granting of a limited number of new loans, favourable macroeconomic conditions and continuous efforts to reduce the risk in the portfolio, especially of customers in default.
A provision was included in the portfolio of other commercial loans and loans to the public sector as one customer defaulted. However, this is offset by the release of other loans in this portfolio.

Statement of changes in provisions for loans and advances to customers

	Retail mortgages		Other retail loans		SME loans		Other[1]		Total	
in € millions	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Opening balance	**58**	**74**	**24**	**34**	**41**	**49**	**3**	**1**	**126**	**158**
Reclassification	6	--	--	--	--	--	--	--	6	--
Change in credit risk	15	1	5	5	-1	--	--	2	19	8
Of which: changes in estimates	3	--	--	--	--	--	--	--	3	--
Originated or purchased loans	12	2	--	--	--	--	--	--	12	2
Of which: changes in estimates	8	--	--	--	--	--	--	--	8	--
Matured or sold loans	-11	-6	-3	-3	-5	-5	--	--	-19	-14
Write-offs	-9	-13	-12	-12	-4	-3	--	--	-25	-28
Closing balance	**71**	**58**	**14**	**24**	**31**	**41**	**3**	**3**	**119**	**126**

1 Other commercial loans and loans to the public sector.

Retail mortgages

Loans in arrears

The table below shows the retail mortgages in arrears. The total amount of loans more than 90 days in arrears fell sharply from € 133 million to € 103 million. The total amount of loans in stage 2 rose from €1.786 million to € 2.170 million, primarily due to adjustments to the provisioning methodology for interest-only mortgages and in the provisioning model. The total amount of loans in arrears dropped from € 502 million to € 484 million.

Retail mortgages in arrears as at 31 December 2019

in € millions	Gross amount	No arrears	≤ 30 days in arrears	> 30 days ≤ 90 days in arrears	> 90 days in arrears	% in arrears
Stage 1	43,977	43,977	--	--	--	0.0%
Stage 2	2,446	2,170	236	39	1	11.3%
Stage 3	540	333	42	64	102	38.5%
Subtotal	**46,963**	**46,479**	**278**	**103**	**103**	**1.0%**
IFRS value adjustments[1]	1,198	--	--	--	--	
Total	**48,161**	**46,479**	**278**	**103**	**103**	

Retail mortgages in arrears as at 31 December 2018

in € millions	Gross amount	No arrears	≤ 30 days in arrears	> 30 days ≤ 90 days in arrears	> 90 days in arrears	% in arrears
Stage 1	44,236	44,236	--	--	--	0.0%
Stage 2	2,039	1,786	206	47	--	12.4%
Stage 3	549	300	41	75	133	45.4%
Subtotal	**46,824**	**46,322**	**247**	**122**	**133**	**1.1%**
IFRS value adjustments[1]	496	--	--	--	--	
Total	**47,320**	**46,322**	**247**	**122**	**133**	

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

Loan-to-Value

The Loan-to-Value (LtV) is the amount of the (remaining) loan expressed as a percentage of the indexed market value of the collateral. In 2018, the maximum regulatory LtV for new mortgage loans was lowered to 100%. A low LtV is advantageous to both customers and the bank, as it reduces the likelihood of a residual debt.

Hence, the lower the LtV, the lower the risk surcharge in our mortgage rates at origination. We bring this to customers' attention as part of the SNS Mortgage Term Monitoring Service. Customers may request a risk surcharge reduction if their LtV has fallen during the term of the mortgage contract. They can do so by submitting a recent valuation report of the collateral showing that the collateral value increased or by making additional repayments, which reduces the mortgage amount.

The weighted average indexed LtV of the retail mortgages improved to 67%, from 70% at year-end 2018. To determine this 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.

If a mortgage is provided with a National Mortgage Guarantee (NHG), this provides additional security to both the customer and the bank. The table below shows the loans outstanding that are fully or partly covered by an NHG. As the average house price rose over the course of 2018, the NHG limit was set at € 290,000 on 1 January 2019 (1 January 2018: € 265,000), and at € 307,400 in case of investments in energy saving measures. These maximum amounts were raised to € 310,000 and € 328,600, respectively, at the start of 2020.

The percentage of customers who take out NHG-guaranteed loans has remained stable for a number of years now.

Retail mortgages by LtV bucket

	31-12-2019					31-12-2018				
in € millions[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Total**		**Stage 1**	**Stage 2**	**Stage 3**	**Total**	
NHG[2]	12,636	467	77	13,180	29%	12,870	395	80	13,345	30%
- *of which LtV ≤ 75%*	6,444	171	29	6,645	15%	5,182	103	22	5,307	12%
- *of which LtV >75 ≤ 100%*	5,892	254	40	6,185	14%	6,981	224	41	7,246	16%
- *of which LtV >100 ≤ 110%*	242	27	4	273	1%	562	37	8	607	1%
- *of which LtV >110 ≤ 125%*	42	7	2	51	0%	131	19	4	154	0%
- *of which LtV > 125%*	17	8	2	27	0%	14	12	5	31	0%
Non-NHG	29,303	1,920	448	31,671	71%	29,261	1,585	457	31,303	70%
- *of which LtV ≤ 75%*	20,095	697	163	20,956	47%	18,146	549	133	18,828	42%
- *of which LtV >75 ≤ 100%*	8,556	900	178	9,634	21%	9,507	639	150	10,296	23%
- *of which LtV >100 ≤ 110%*	506	176	36	718	2%	1,240	189	49	1,478	3%
- *of which LtV >110 ≤ 125%*	103	57	28	188	0%	302	100	45	447	1%
- *of which LtV > 125%*	43	91	43	176	0%	66	108	80	254	1%
Principal amounts excluding savings deposits	**41,939**	**2,387**	**525**	**44,851**	**0%**	**42,131**	**1,980**	**537**	**44,648**	**100%**
Credit provision				-71					-58	
Accrued interest				100					107	
IFRS value adjustments[3]				1,198					496	
Savings deposits				2,012					2,069	
Total retail mortgages				**48,090**					**47,262**	
Weighted average indexed LtV				**67%**					**70%**	

1 LtV based on indexed market value of collateral.

2 The size of guarantees related to NHG guaranteed mortgages expires on an annuity basis.

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

Retail mortgage loans by redemption type, fixed-rate term and year of origination

In the past few years, the Dutch government has tightened the (tax) policy as regards the maximum percentage that may be provided as an interest-only mortgage and the mortgage interest tax relief.
Currently, interest payments on mortgage loans provided after 1 January 2013 are only tax deductible if the mortgage is paid off through an annuity or linear scheme over a maximum period of thirty years. This rule does not, however, apply to the interest-only mortgages originated before 1 January 2013 and that were renegotiated after this date. For these mortgage loans, tax benefits remain applicable if certain conditions are met. De Volksbank applies a policy of financing no more than 50% of the fair value of the collateral by means of an interest-only mortgage. The remainder of the loan must consist of a type of mortgage under which the mortgage debt is repaid during the term.

As a result of these rules, both the gross amount and the share of annuity and linear mortgage loans in the total retail mortgage portfolio are increasing. The share of full or partial interest-only mortgages dropped slightly from 52% as of year-end 2018 to 50%.

De Volksbank is pursuing an active approach to reduce the share of interest-only mortgage loans in the portfolio by means of its interest-only programme entitled *Klant Wil Rustig Blijven Wonen* ('Customer wants to continue to live worry-free in their home') and the national campaign entitled *Aflossingsblij* ('Redemption-happy').

Within the scope of this *Klant Wil Rustig Blijven Wonen* programme we are contacting all customers with an interest-only mortgage to assess their financial situation at maturity date. The *Aflossingsblij* campaign is a joint initiative by the Dutch banks to call on homeowners with interest-only mortgage loans nearing maturity to repay their loan. For customers with an interest-only mortgage, a repayment or refinancing problem may arise regarding the acceptance criteria applicable when the loan expires. When this happens, we will look for a suitable solution.

Retail mortgages with a fixed-rate term of ten years or more grew and mortgages with a fixed-rate term of less than ten years fell. This was driven by persistently low mortgage rates, leading customers to select a longer fixed-rate term for a new mortgage or interest rate renewal. In all, the share of mortgages with a fixed-rate term of ten years or more increased from 82% in 2018 to 86%.

Retail mortgages by redemption type

in € millions	**2019**		**2018**	
Interest-only (100%)	10,993	23%	11,654	25%
Interest-only (partially)	12,684	27%	12,740	27%
Annuity	12,979	28%	11,086	24%
Lineair	1,152	2%	1,025	2%
(Bank) savings[1]	5,078	11%	5,704	12%
Life insurance/investments	3,530	8%	4,006	9%
Other	447	1%	502	1%
Total remaining principal amounts	**46,863**	**100%**	**46,717**	**100%**
Credit provision	-71		-58	
Accrued interest	100		107	
IFRS value adjustments[2]	1,198		496	
Total retail mortgages	**48,090**		**47,262**	

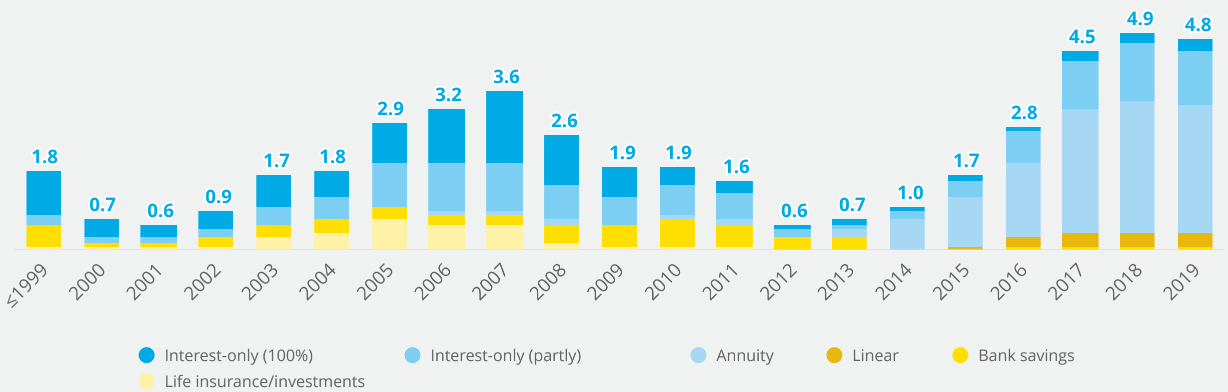
1 The guaranteed savings deposits accrued in a policy with the insurer are accounted for under (Bank) savings.

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

Interest-only mortgages (100%) by LtV bucket

In percentages	2019	2018
LtV ≤ 75%	90%	86%
LtV >75 ≤ 100%	9%	11%
LtV >100 ≤ 110%	1%	2%
LtV >110 ≤ 125%	0%	1%
LtV > 125%	0%	0%
Total	**100%**	**100%**

Retail mortgages by origination and redemption type (in € billions)[1,2]



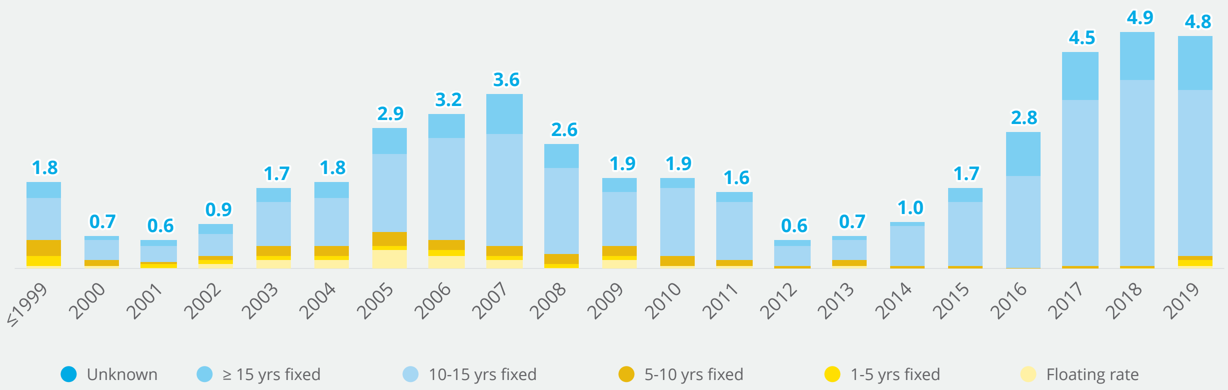
1 The amounts in this chart do include conversions of mortgages, but do not include mortgages that have been executed but have not yet been processed in the system, bridge loans, and 'extra ruimte' mortgages.
2 The mortgages from the acquisition of RegioBank were fully recognised in the year 2007. The effect amounts to approximately € 0.6 billion.

Retail mortgages by fixed-rate term

in € millions	2019		2018	
Floating rate	2,240	5%	2,398	5%
≥ 1 and < 5-year fixed-rate	1,337	3%	1,196	3%
≥ 5 and < 10-year fixed-rate	2,764	6%	3,944	8%
≥ 10 and < 15-year fixed-rate	30,896	66%	30,102	64%
≥ 15-yr fixed-rate	9,177	20%	8,573	18%
Other	449	1%	504	1%
Total remaining principal amounts	**46,863**	**100%**	**46,717**	**100%**
Credit provision	-71		-58	
Accrued interest	100		107	
IFRS value adjustments[1]	1,198		496	
Total retail mortgages	**48,090**		**47,262**	

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

Retail mortgages by origination and fixed-rate term (in € billions)[1,2]



1 The amounts in this chart do include conversions of mortgages, but do not include mortgages that have been executed but have not yet been processed in the system, bridge loans, and with a revoking credit facility mortgages ('extra ruimte' hypotheek).

2 The mortgages from the acquisition of RegioBank were fully recognised in the year 2007. The effect amounts to approximately € 0.6 billion.

Interest rate risk in the banking book

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

The main factor used to manage the banking book's interest rate risk is the interest income sensitivity to market rate movements. The short-term impact of market rate movements is measured using the Earnings-at-Risk (EaR) method, and to measure the long-term impact, we use the Economic Value of Equity (EVE) method.

At year-end 2019, the EaR amounted to € 61 million before tax (2018: € 83 million). Downward adjustments to the interest rate forecast and our corresponding interest rate risk position are the main reason for the decrease compared with year-end 2018.

When applying the EVE methodology, we take all future incoming and outgoing cashflows and calculate their economic value based on current market rates. Duration of equity and key rate durations are the key control measures of EVE sensitivity. Duration of equity measures the relative decrease in the EVE in the event of a parallel interest rate increase of 1 basis point (0.01%). The key rate durations represent EVE sensitivity to such an interest rate shift at specific points on the yield curve, enabling us to identify sensitivity to non-parallel shifts in the market yield curve.

At year-end 2019, the duration of equity stood at 0.3 (2018: 1.4). The relatively low duration of equity arose from an interest rate forecast that was adjusted downwards to a significant degree, combined with changes to our customer behaviour models over the course of 2019. Given our expectation that interest rates will continue to be low for a longer period of time, a slightly higher duration of equity is desirable. We have opted for a gradual rise in the duration of equity through regular balance sheet developments rather than actively controlling this process.

Market risk

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

Non-financial risks

In 2019, we made progress in further strengthening the organisation that oversees non-financial risk control. We developed and rolled out the Integrated Risk Management (IRM) tool, a risk management application that simplifies the recording of information on our business operations and enables us to perform more in-depth analyses of the effectiveness of our risk management. Having improved the registration of and follow-up on operational risk incidents, we started analysing the causes of these incidents in 2019. With this information we will further improve our processes. In 2019, we also carried out a study into the way in which our control measures are recorded and tested, thus helping process owners to adequately control their processes.

Operational risk

The interruption of our services resulting from cyber-attacks and system failure remained limited in 2019 and mostly within the limits set by us and the supervisory authorities. We did experience a number of IT disruptions with regard to availability. We have established that the continuity of our platforms was not consistently substandard.
We periodically test the operation of the continuity facilities of our main bank systems.
Despite a slight reduction in DDos attacks, we note an increasing number of cyber-attacks. This remains a point of focus. We also pay attention to Brexit; we have made preparations to absorb the possible effects of Brexit and monitor further developments. Bilateral financial contracts with counterparties based in the United Kingdom have for the most part been transferred to an entity in a European jurisdiction.

Reporting and data management

We strive to provide reliable internal and external information, in which respect high-quality underlying data and adequate data management are important. In 2018, we drew up a new data management policy that is the basis for an integrated approach to quality improvement. In the first quarter of 2019, we launched a strategic programme with which we continue to work on improving and controlling the start-to-finish reporting processes, the associated data flows and the supporting application landscape. We made adjustments to various processes for the purpose of providing reliable information both internally and externally and to the process involving periodic and new reporting to supervisory authorities.
The processes in question were further automated and improvements were carried out in data management for the reporting chain. To avoid data inaccuracies from being discovered and remedied at the very end of the reporting process, data quality monitoring will be more explicitly invested at the source and the Data Management Framework has been put into operation. Renewed processes will be implemented further in the next few years.

Compliance

Changes related to the Money Laundering and Terrorist Financing (Prevention) Act (Wet ter voorkoming van witwassen en financieren van terrorisme; Wwft) and sanctions regulations have followed one another in rapid succession in the past few years. De Volksbank is still continuously working to take the control of customer integrity to a higher maturity level. The changes made to laws and regulations have considerable impact on our organisation. The day-to-day Wwft policymaker and other persons pay considerable attention to the implementation of these changes. The progress made on this issue is also regularly discussed at Board level.

In 2019, de Volksbank launched a project to strengthen the compliance function and broaden its focus. The compliance function thus monitors all prudential and non-prudential legislation applicable to the bank. In particular, it has a wide range of integrity risks in scope, including customer integrity, privacy, financial crime risks (fraud and corruption), and the interpretation of social standards such as the (general) duty of care. The project will continue in 2020.

Capital management

Capitalisation

Requirements as at 1 January 2020

	Total capital	of which Tier 1 capital	of which CET1 capital
Pillar 1 requirement	8.0%	6.0%	4.5%
Pillar 2 requirement	2.5%	2.5%	2.5%
Total SREP capital requirement	**10.5%**	**8.5%**	**7.0%**
Capital conservation buffer	2.5%	2.5%	2.5%
O-SII buffer	1.0%	1.0%	1.0%
Countercyclical capital buffer	0.0%	0.0%	0.0%
Combined buffer requirement	**3.5%**	**3.5%**	**3.5%**
Overall capital requirement	**14.0%**	**12.0%**	**10.5%**

With effect from 1 January 2020, de Volksbank is required to meet a minimum total capital ratio of 14.0% (Overall Capital Requirement, OCR), of which at least 10.5% consists of CET1 capital. This requirement ensues from the Supervisory Review and Evaluation Process (SREP) performed by the European Central Bank (ECB) in 2019 and follows from the SREP decision, which came into effect on 1 January 2020.

De Volksbank has adjusted its capital targets for 2020 to a leverage ratio of at least 4.75% (previously: at least 4.25%) and a CET1 capital ratio of at least 19.0% (previously: at least 15%) based on the fully phased-in Basel IV rules.

Our leverage ratio target of at least 4.75% is in line with the expected leverage ratio of comparable European banks and includes an ample management buffer to withstand severe stress situations involving unfavourable conditions that may greatly impact the net interest margin and credit losses. The management buffer also factors in other uncertainties, such as fluctuations in the macroeconomic environment and the impact that the elaboration and implementation of Basel IV may have on non-risk-weighted targets.

After full phase-in of Basel IV rules, the minimum target of the leverage ratio of 4.75% is expected to be in keeping with a CET1 capital ratio of at least 19.0%. The composition of our minimum risk-weighted target is in line with the composition of our minimum leverage ratio target. As a result, on top of the SREP requirement of 10.5% and the Pillar 2 Guidance, we also have an ample management buffer to withstand severe stress situations. The management buffer also factors in other uncertainties, such as the impact of future regulatory requirements, including Basel IV.

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

Capitalisation

in € millions	31-12-2019	30-6-2019	31-12-2018
Shareholders' equity	3,435	3,578	3,571
Non-eligible interim profits	-214	-154	-178
Shareholders' equity for CRD IV purposes	**3,221**	**3,424**	**3,393**
Cashflow hedge reserve	-26	-28	-30
Other prudential adjustments	-6	-3	-3
Total prudential filters	**-32**	**-31**	**-33**
Intangible assets	-2	-4	-6
IRB shortfall[1]	-31	-38	-41
Total capital deductions	**-33**	**-42**	**-47**
Total regulatory adjustments to shareholders' equity	**-65**	**-73**	**-80**
CRD IV CET 1 capital	**3,156**	**3,351**	**3,313**
Additional Tier 1 capital	--	--	--
Tier 1 capital	**3,156**	**3,351**	**3,313**
Eligible Tier 2	500	500	500
Impact EBA interpretations CRR Article 82	--	--	-348
Tier 2 capital	**500**	**500**	**152**
Total capital	**3,656**	**3,851**	**3,465**
Risk-weighted assets	**9,680**	**9,029**	**9,341**
Risk exposure as defined by the CRR	62,006	63,110	60,625
CET1 ratio	32.6%	**37.1%**	**35.5%**
Tier 1 ratio	32.6%	37.1%	35.5%
Total capital ratio	37.8%	42.7%	37.1%
Leverage ratio	5.1%	5.3%	5.5%

1 The IRB shortfall is the difference between the expected loss under the CRR/CRD IV directives and the IFRS retail mortgage provision.

De Volksbank's CET1 capital ratio dropped to 32.6% from 35.5% at year-end 2018, due to both a decline in CET1 capital and an increase in risk-weighted assets (RWA). The CET1 capital ratio thus remained well above our target of at least 19%.

The legal merger between de Volksbank N.V. and de Volksholding B.V. was completed on 30 March 2019. The merger completely mitigates the consequences of the EBA interpretation of CRR Article 82 regulations for financial holding companies, which means that de Volksbank's Tier 2 capital is fully effective again as from 30 March 2019. As a result of the merger, the total capital ratio rose by 0.7 percentage points.

Shareholders' equity decreased by € 136 million to € 3,435 million in 2019, particularly as a result of the € 161 million dividend payout for 2018 and the € 250 million capital distribution in December 2019, which was partly compensated by a € 275 million profit retention.

In order to determine shareholders' equity for CRD IV purposes, non-eligible interim profits are deducted from shareholders' equity. After profit appropriation by the General Meeting of Shareholders in April 2019, € 17 million was added to the CET1 capital from the non-eligible (interim) profits as at year-end 2018 in the amount of € 178 million, after deduction of the dividend payout of € 161 million.

The interim profit not yet eligible as CRD IV equity for 2019 (€ 214 million) is the dividend reservation on the net profit for the first half and the full net profit for the second half of 2019.

In order to determine CET1 capital, shareholders' equity is subsequently subjected to a number of regulatory adjustments for CRD IV purposes. Total regulatory adjustments amounted to € 65 million negative at the end of December 2019 (2018: € 80 million negative) and consisted mainly of a prudential adjustment for the cashflow hedge reserve and a deductible item related to the IRB shortfall. The latter dropped from € 41 million to € 31 million. CET1 capital was also reduced by € 3.2 million under the prudential provision level of the NPEs outstanding as at 31 March 2018 on account of the SREP decision. On balance, CRD IV CET1 capital was down by € 158 million to € 3,156 million.

Risk-weighted assets (RWA)

in € millions	31-12-2019	30-6-2019	31-12-2018
	CRD IV	CRD IV	CRD IV
Credit risk - Internal ratings based (IRB)	5,932	5,318	5,487
Credit risk - standardised approach (SA)	2,128	2,027	2,157
Securitisations	8	7	6
Operational risk	1,503	1,544	1,544
Market risk	5	--	--
Credit Valuation Adjustment (CVA)	104	133	147
Total	**9,680**	**9,029**	**9,341**

In 2019, RWA increased by € 339 million to € 9.7 billion. This increase was mainly caused by a € 445 million increase related to the credit risk of the retail mortgage portfolio, calculated according to the Internal Ratings Based (IRB) approach.

Additional obligations imposed by TRIM resulted in an RWA increase of € 792 million. Because of the impact of the TRIM, the average risk weighting (RWA density) of retail mortgages rose to 12.9%, from 12.0% at year-end 2018. In contrast, the portfolio's credit quality improved further, particularly as a result of improved economic conditions. This improvement was reflected in lower Probabilities of Default (PDs) and Loss Given Defaults (LGDs).

RWA for credit risk calculated under the SA dropped by € 29 million, remaining virtually flat at € 2.1 billion. RWA for operational risk, market risk, the Credit Valuation Adjustment and the revised securitisation framework declined by € 77 million in total to € 1.6 billion.

Leverage ratio

The leverage ratio dropped from 5.5% at year-end 2018 to 5.1%, caused by both a decrease in CET1 capital by € 158 million and an increase in the leverage ratio denominator by € 1.4 billion. The denominator is the risk exposure amount as defined by the Capital Requirements Regulation (CRR). The increase in this risk exposure was in line with the growth in the balance sheet total (€ 1.9 billion), with the lower growth in the risk exposure mainly resulting from an increase in collateral placed for derivatives, which is deducted from the risk exposure.

The 5.1% leverage ratio is well above the regulatory requirement and our new target of at least 4.75%. Under current regulations, the amount of capital necessary to meet the leverage ratio requirement is higher than the amount necessary to meet risk-weighted capital requirements. This is the consequence of the focus on retail mortgages, a low-risk activity with a correspondingly low risk weighting.

Developments in capital requirements

Basel IV

On 7 December 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.

Based on the balance sheet position at year-end 2019, we estimate that as a result of Basel IV, fully phased in, our risk weighted assets (RWA) will grow by approximately 38%[2], and that our CET1 capital ratio will decrease by more than 9 percentage points as a result. The largest effect comes from the output floor (from 50% phased-in from 2022, to 72.5% phased-in from 2027) on the basis of the revised Standardised Approach (SA) for credit risk versus the current internal rating approach based on PHIRM[3]. The RWA impact from the Targeted Review of Internal Models (TRIM) is based on the internal modelling approach and will, therefore, no longer be most restrictive when the RWA is determined under full phase-in of Basel IV. We expect the changes in internal modelling approaches and the standardised measurement approach for operational risk anticipated under Basel IV to have a limited impact on the RWA of de Volksbank.

The next step is the translation of Basel IV into European laws and regulations. De Volksbank closely monitors the developments, paying particular attention to new rules for retail mortgages. We will adjust our capital planning if necessary.

On 19 November 2019, changes in the terms and conditions of the National Mortgage Guarantee (NHG guarantee) were announced. As a result, the NHG guarantee will also be recognised as an acceptable form of credit protection under Basel IV. This is relevant for the calculation of capital requirements for retail mortgages under the SA.

We estimate that our CET1 capital ratio under full phase-in of Basel IV will still exceed our target of at least 19%[4]. This will allow us to both continue our growth path and pay out dividend.

Minimum floor for risk weighting of mortgage loans

In anticipation of the implementation of Basel IV, DNB announced in October 2019 that it would increase the minimum risk weighting for mortgage portfolios of Dutch banks, with the exception of mortgages with (partial) NHG coverage. This measure applies to banks that use internal risk models to calculate capital requirements for their mortgage portfolios, such as de Volksbank. The minimum risk weight will depend on the Loan-to-Value (LtV) of the mortgage. This minimum floor will be introduced for a period of at least two years as from autumn 2020. As a result, we expect the pro forma risk weighting of our mortgage portfolio to rise from 12.9% to 15% at the end of 2019. As a result, the RWA is expected to rise by € 1.0 billion, resulting in a 3% decline in our pro forma CET1 capital ratio at year-end 2019.

Provision for non-performing exposures (NPEs)

To encourage harmonisation of EU banks, in April 2019 Capital Requirements Regulation (CRR) requirements became effective for the level of provisions or other capital adjustments for NPEs provided as from 26 April 2019. Additional prudential provisions may have to be formed for long-term NPEs.

In addition to these CRR requirements, the ECB has published its expectations for the level of provisions for NPEs provided before 26 April 2019 which were not yet non-performing as at 31 March 2018. Moreover, the ECB made a recommendation in its SREP decision for the level of prudential provisions for outstanding NPEs as at 31 March 2018.

The CRR requirements, the ECB's expectations and the recommendation in the SREP decision may have an impact on the CET1 capital ratio and the leverage ratio of de Volksbank in the coming years.

Targeted Review of Internal Models (TRIM)

As de Volksbank uses internally developed models, the bank was part of the TRIM that was carried out by the supervisory authority in 2018. In this review, issues assessed included: the extent to which laws and regulations are complied with, the quality and completeness of the data used, the modelling technique used including the data lineage and the suitability of the model to the portfolio in question. On the basis of this review, the supervisory authority has

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2 Starting from (1) loan-splitting for retail mortgages, and (2) the assumption that 93% of the retail mortgages meet the document requirements.
3 Particuliere Hypotheken Interne Rating Model (Internal Rating Model for Retail Mortgages).
4 On the basis of our balance sheet position as at 31 December 2019 and assuming the implementation of Basel IV rules in European legislation remains unchanged.

drawn up additional requirements with regard to the improvement of data, data lineage and the further development of de Volksbank's credit risk model. In anticipation of this, the supervisory authority imposed a temporary mandatory adjustment to the model parameters. As a result of this mandatory adjustment at the end of September 2019, RWA increased by € 0.8 billion and the IRB shortfall increased by € 11 million. As a consequence, the CET1 capital ratio fell by 2.9%, and the leverage ratio fell by 0.02 percentage points.

IFRS 16 Leases

The new accounting standard IFRS 16 Leases came into force on 1 January 2019. IFRS 16 requires (almost) all leases to be recognised on the balance sheet. Accordingly, the balance sheet grew by € 76 million as from 1 January 2019 (100% risk weighting) and the CET1 capital ratio decreased by 0.3 percentage points.

MREL

On 6 June 2018, the Single Resolution Board (SRB) set the Minimum Requirement for own funds and Eligible Liabilities (MREL) for de Volksbank at 8.0% of total liabilities and own funds. By its resolution of 27 May 2019, the SRB confirmed this. In the same resolution, the SRB determined that the transition period ceased to apply to de Volksbank since de Volksbank already meets this requirement. Furthermore, the Bank Recovery and Resolution Directive (BRRD) and the SRB's 2018 MREL policy lead us to expect that the MREL for de Volksbank – as an Other Systemically Important Institution (O-SII) – must consist of subordinated instruments for at least 17.5% of RWA.

In 2017, the European Commission amended the BRRD by including a new asset class: senior non-preferred debt (Senior Non-Preferred (SNP) notes). These notes are subordinated to other senior bonds, but take precedence over Tier 2 bonds. Dutch insolvency law was adjusted accordingly in late 2018.

De Volksbank's capital planning is based on the assumption that, as from 1 January 2024, the minimum non-risk-weighted MREL requirement of 8% will consist entirely of subordinated liabilities (Tier 1 capital, Tier 2 capital and SNP notes). The bank bases this assumption on current insights into future regulations regarding an MREL subordination requirement. Based on this assumption, we expect to issue between € 1.0 and € 1.5 billion worth of SNP notes over the next five years, based on the current capital position. De Volksbank is closely monitoring developments regarding a possible MREL subordination requirement and will adjust its capital planning if necessary.

MREL

in € millions	31-12-2019	30-6-2018	31-12-2018
CET1 capital	3,156	3,351	3,313
Tier 2 capital	500	500	500
Total capital	**3,656**	**3,851**	**3,813**
Other eligible unsecured liabilities with remaining maturity > 1 year	1,748	1,542	1,941
Total capital including other eligible liabilities	**5,404**	**5,393**	**5,754**
Exposure measure as defined by the BRRD (MREL)	60,509	61,751	59,412
Risk-weighted assets	9,680	9,029	9,341
MREL BRRD			
MREL (Total capital)	6.0%	6.2%	6.4%
MREL (Total capital including other eligible liabilities)	8.9%	8.7%	9.7%
MREL RISK WEIGHTED ASSETS			
MREL (Total capital)	37.8%	42.7%	40.8%
MREL (Total capital including other eligible liabilities)	55.8%	59.7%	61.6%

The table above presents the risk-weighted and non-risk-weighted MREL ratios of de Volksbank N.V. as a resolution entity.

The non-risk-weighted MREL ratio stood at 8.9% (2018: 9.7%). This includes the total capital and all other unsecured liabilities eligible for MREL according to the current BRRD.

Total capital and eligible liabilities dropped by € 350 million to € 5,404 million. The main reason for this decrease was that the short-term unsecured bond of € 400 million issued in October 2018 entered the final year of its term in April 2019, on account of which this loan was no longer MREL eligible from then on. This decrease was partly compensated by the supervisory authority's confirmation in June 2019 that the structured unsecured debts – which were excluded in year-end 2018 MREL figures – qualify for MREL. This allows de Volksbank to include these debts in its eligible liabilities again (€ 133 million). The risk exposure measure as defined by the BRRD rose by € 1.1 billion to € 60.5 billion.

The risk-weighted MREL ratio, based on CET1 capital and Tier 2 capital (together € 3,656 million) amounted to 37.8% (year-end 2018: 40.8%). Both are subordinated to other liabilities outstanding.

Dividend

For the regular dividend distribution, de Volksbank has set a target range of 40% - 60% of the adjusted net result. In accordance with this policy, de Volksbank paid out a dividend of € 161 million for 2018 to NLFI in April 2019. This represents a pay-out ratio of 60%, the upper end of the target range used by us.

We propose to pay out a dividend of € 165 million on the 2019 profit. This implies a payout ratio of 60%, the top of the applied target range of 40-60%.

In addition, de Volksbank made a capital distribution of € 250 million to NLFI in December 2019. The strong capital position built up by de Volksbank in recent years through retained earnings and lowering of the risk profile has now allowed us to return part of the capital injection at the time of nationalisation to our shareholder.

Liquidity and funding

Liquidity

In 2019, the bank maintained a strong liquidity position that amply met both its internal targets and regulatory requirements.

Key liquidity indicators

	31-12-2019	30-6-2018	31-12-2018
LCR	182%	147%	177%
NSFR	>100%	>100%	>100%
Loan-to-Deposit ratio	102%	103%	106%
Liquidity buffer (in € millions)	16,897	15,953	15,152

The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) remained well above the (future) regulatory minimum of 100%. At 31 December 2019, the LCR stood at 182% (year-end 2018: 177%).

The ratio between loans outstanding and deposits attracted, known as the Loan-to-Deposit ratio, dropped to 102%, from 106% at year-end 2018. This was mainly caused by a growth in deposits, of which € 1.0 billion as a result of an increase in retail savings, while there was a slight decrease in loans. We do not take into account the € 0.7 billion increase in the carrying amount of loans from hedge accounting.

Liquidity buffer composition

in € millions	31-12-2019	30-6-2019	31-12-2018
Cash position[1]	3,836	3,570	2,447
- of which central bank reserves & nostro accounts	*2,302*	*2,209*	*993*
- of which contractual wholesale cashflows maturing within ten days or less	*1,534*	*1,361*	*1,455*
Sovereigns	2,805	2,149	2,393
Regional/local governments and supranationals	1,091	871	975
Other liquid assets	263	431	437
Eligible retained RMBS	8,902	8,932	8,900
Liquidity buffer	**16,897**	**15,953**	**15,152**

1 The cash position, as presented above, comprises central bank reserves, current account balances held at correspondent banks and contractual wholesale cashflows maturing within ten days or less. As a result, the cash position deviates from the cash and cash equivalents balance in the balance sheet.

The liquidity buffer remained high and rose to € 16.9 billion (year-end 2018: € 15.2 billion).

In 2019, the cash position increased by € 1.4 billion to € 3.8 billion. The funding need mainly resulted from a € 0.4 billion increase in collateral placed in respect of derivative transactions in the form of cash and the repayment of € 0.3 billion in wholesale funding. The funding need was more than met by a € 1.4 billion growth in deposits and the issue of € 1,3 billion in covered and unsecured bonds, increasing the cash position.

The liquidity value of other liquid assets in the liquidity buffer amounted to € 13.1 billion as at the end of 2019 (year-end 2018: € 12.7 billion):
• The value of unencumbered sovereign debts in the liquidity buffer rose by € 0.4 billion, predominantly because they were not used as collateral for (repo) transactions at the end of 2019, partly offset by a greater use as collateral related to derivative positions;
• The liquidity value of eligible retained RMBS remained virtually stable at € 8.9 billion.

As at year-end 2019, € 0.8 billion in assets with more than a 10-day horizon had been invested for cash management purposes (year-end 2018: € 0.4 billion). These loans are available as short-term liquid assets.

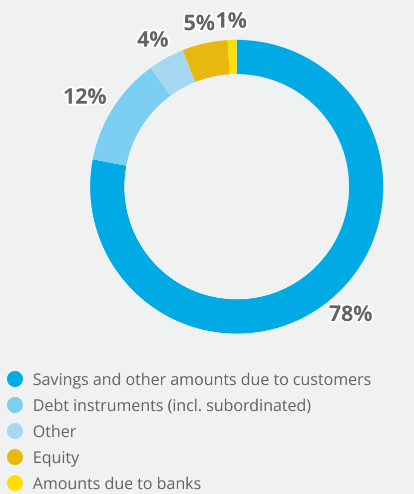
Funding

Retail savings are the bank's main source of funding. Through our brands we attract term deposits, demand deposits and current account balances from retail customers. In addition, funding takes place through savings deposits and current account balances from SME customers. In 2019, financing from customers increased to € 48.1 billion, from € 47.2 billion at year-end 2018.

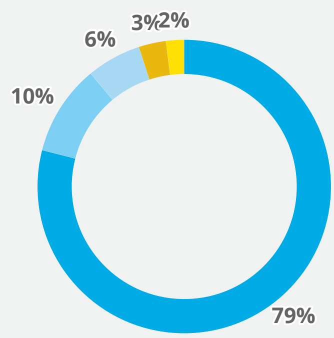
In addition, the bank attracts capital market funding. To this end, we use various funding instruments spread over maturity, market, region and type of investors.

The diagrams below provide an overview of the composition of the total liabilities as at year-end 2019 and year-end 2018, based on the carrying amount. The percentage of our funding that is made up of savings and other amounts due to customers fell to 78%, from 79% at year-end 2018.

Equity and liability mix
31 December 2019: € 62.8 billion



Equity and liability mix
31 December 2018: € 60.9 billion

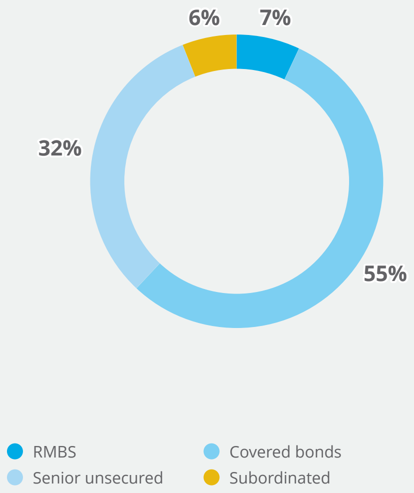


In 2019, de Volksbank successfully executed a number of capital market funding transactions, namely the issue of:
- € 0.5 billion in covered bonds (public transaction) with a maturity of seven years;
- € 0.5 billion in green unsecured bonds (public transaction) under the Green Bond Framework of de Volksbank with a maturity of five years;
- € 0.3 billion in covered bonds (private placements) with a maturity of fifteen to twenty years.

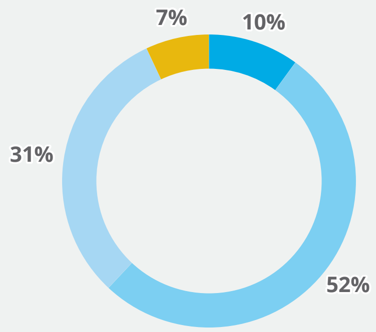
To support the MREL ratio, de Volksbank has also prematurely repaid € 0.2 billion in senior unsecured bonds outstanding with an original maturity date in April 2020 and replaced these by € 0.2 billion in senior unsecured bonds with a maturity of two years.

In addition to these funding transactions, the capital market funding mix changed in 2019 (from € 6.9 billion to € 7.9 billion), primarily due to the repayment of:
- senior unsecured funding (€ 0.2 billion)
- certificates issued under securitisation programmes (€ 0.1 billion)

Capital market funding mix 31 December 2019: € 7.9 billion (nominal value)

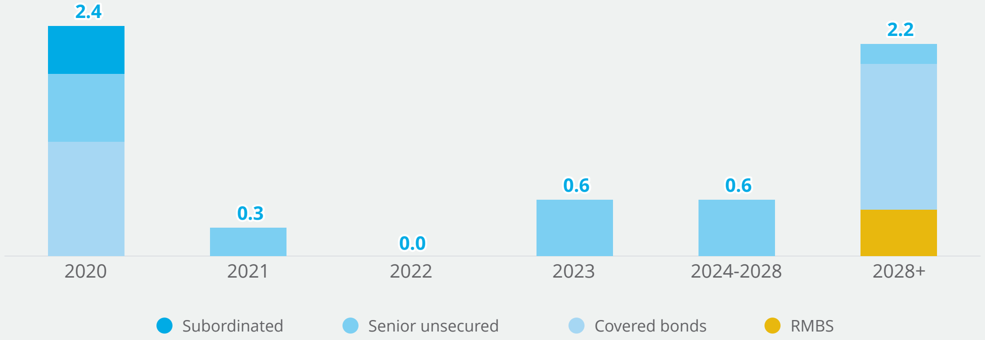


Capital market funding mix 31 December 2018: € 6.9 billion (nominal value)



The figure below presents an overview of the maturity calendar of the capital market funding outstanding with an original maturity of more than one year. It is assumed that this funding will be redeemed at the first possible dates. In 2020, we are expected to issue senior and covered bonds in particular to meet our capital market funding needs.

Capital market funding maturities
(in € billions)



Consolidated balance sheet

Before result appropriation and in € millions	31-12-2019	31-12-2018
ASSETS		
Cash and cash equivalents	2,026	815
Derivatives	718	732
Investments	5,350	4,782
Loans and advances to banks	3,791	3,589
Loans and advances to customers	50,461	50,536
Tangible and intangible assets	128	69
Tax assets	99	133
Other assets	268	292
Total assets	**62,841**	**60,948**
EQUITY AND LIABILITIES		
Savings	38,404	37,376
Other amounts due to customers	10,641	10,841
Amounts due to customers	**49,045**	**48,217**
Amounts due to banks	541	1,116
Debt certificates	6,906	5,822
Derivatives	1,841	1,120
Tax liabilities	15	15
Other liabilities	492	487
Provisions	64	98
Subordinated debts	502	502
Total other liabilities	**10,361**	**9,160**
Share capital	381	381
Other reserves	2,779	2,922
Retained earnings	275	268
Shareholders' equity	**3,435**	**3,571**
Total equity and liabilities	**62,841**	**60,948**

Consolidated income statement

in € millions	2019	2018
INCOME		
Interest income	1,263	1,330
Interest expense	388	422
Net interest income	**875**	**908**
Fee and commission income	118	110
Fee and commission expenses	67	66
Net fee and commission income	**51**	**44**
Investment income	12	3
Other result on financial instruments	-10	2
Other operating income	1	1
Total income	**929**	**958**
EXPENSES		
Staff costs	373	402
Depreciation and amortisation of tangible and intangible assets	36	21
Other operating expenses	165	186
Impairment charges financial assets	-7	-12
Other expenses	--	--
Total expenses	**567**	**597**
Result before taxation	**362**	**361**
Taxation	87	93
Net result continued operations	**275**	**268**

Consolidated statement of comprehensive income

Other comprehensive income

in € millions	2019	2018
ITEMS THAT WILL NOT SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS		
Unrealised revaluations property and equipment	1	--
Change in other reserves	1	2
Total items never reclassified to profit or loss	**2**	**2**
ITEMS THAT ARE RECLASSIFIED TO PROFIT OR LOSS		
Change in cashflow hedgereserve	-5	-5
Change in fair value reserve	5	-4
Total items that are reclassified to profit or loss	**--**	**-9**
Other comprehensive income (after tax)	**2**	**-7**

Total comprenhensive income

in € millions	2019	2018
Net profit	275	268
Other comprehensive income (after tax)	2	-7
Total comprehensive income for the period	**277**	**261**

Consolidated statement of changes in total equity

Consolidated statement of changes in total equity 2019

in € millions	Issued share capital[1]	Share premium reserve	Revaluation reserve[2]	Cashflow hedge reserve	Fair value reserve	Other reserves	Retained earnings	Total equity
Balance as at 31 December 2018 (IAS 17)	381	3,787	6	31	14	-916	268	3,571
Change in accounting policies	--	--	--	--	--	-2	--	-2
Balance as at 1 January 2019 (IFRS 16)	**381**	**3,787**	**6**	**31**	**14**	**-918**	**268**	**3,569**
Transfer of net result 2018	**--**	**--**	**--**	**--**	**--**	**107**	**-107[3]**	**--**
Unrealised revaluations	--	--	1	--	13	--	--	14
Realised revaluations through P&L	--	--	--	-5	-8	--	--	-13
Realised revaluations through equity	--	--	-1	--	--	1	--	--
Other movements	--	--	--	--	--	1	--	1
Other comprehensive income	**--**	**--**	**--**	**-5**	**5**	**2**	**--**	**2**
Net result 2019	--	--	--	--	--	--	275	275
Total result 2019	**--**	**--**	**--**	**-5**	**5**	**2**	**275**	**277**
Dividend pay-out	--	--	--	--	--	--	-161[4]	-161
Capital distribution	--	-250	--	--	--	--	--	-250
Transactions with shareholder	**--**	**-250**	**--**	**--**	**--**	**--**	**-161**	**-411**
Total changes in equity 2019	**--**	**-250**	**--**	**-5**	**5**	**109**	**7**	**-134**
Closing balance	**381**	**3,537**	**6**	**26**	**19**	**-809**	**275**	**3,435**

1 The issued share capital is fully paid up and comprises 840,008 ordinary shares with a nominal value of € 453.79 per share.

2 The revaluation reserve consists of revaluations of property in own use.

3 The result after deducting the dividend payment of € 161 million.

4 Dividend paid out to NLFI

Consolidated statement of changes in equity 2018

in € millions	Issued share capital[1]	Share premium reserve	Revaluation reserve[2]	Cashflow hedge reserve	Fair value reserve	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2018	381	3,787	6	36	18	-1,057	329	3,500
Transfer of net result 2017	**--**	**--**	**--**	**--**	**--**	**139**	**-139[3]**	**--**
Unrealised revaluations	--	--	--	-2	--	--	--	-2
Realised revaluations through P&L	--	--	--	-3	-4	--	--	-7
Realised revaluations through equity	--	--	--	--	--	--	--	--
Other movements	--	--	--	--	--	2	--	2
Other comprehensive income	**--**	**--**	**--**	**-5**	**-4**	**2**	**--**	**-7**
Net result 2018	--	--	--	--	--	--	268	268
Total result 2018	**--**	**--**	**--**	**-5**	**-4**	**2**	**268**	**261**
Dividend pay-out	--	--	--	--	--	--	-190[4]	-190
Transactions with shareholder	**--**	**--**	**--**	**--**	**--**	**--**	**-190**	**-190**
Total changes in equity 2018	**--**	**--**	**--**	**-5**	**-4**	**141**	**-61**	**71**
Closing balance	**381**	**3,787**	**6**	**31**	**14**	**-916**	**268**	**3,571**

1 The issued share capital is fully paid up and comprises 840,008 ordinary shares with a nominal value of € 453.79 per share.

2 The revaluation reserve consists of revaluations of property in own use.

3 The result after deducting the dividend payment of € 190 million.

4 Dividend paid out to de Volksholding

General information

Other information

De Volksbank N.V. (hereafter 'de Volksbank'), a public limited liability company, is 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 *Stichting administratiekantoor beheer financiële instellingen* (NLFI).

On 30 March 2019, de Volksbank and its former parent company de Volksholding B.V. merged. Due to this legal merger, de Volksbank is the remaining entity and de Volksholding ceased to exist. The assets and liabilities of de Volksholding B.V. were transferred to de Volksbank. Because the assets and liabilities of de Volksholding only related to the participation in de Volksbank and its equity, this merger does not impact the financial statements of de Volksbank.

De Volksbank's financial statements are prepared in accordance with International Financial Reporting Standards as accepted within the European Union (IFRS-EU). In preparing the financial information in this press release, except as described otherwise, the same accounting policies are applied as in the 2018 consolidated financial statements of de Volksbank, taking the changes in IFRS-EU into account as from 1 January 2019. De Volksbank has applied IFRS 16, Leases as from 1 January 2019. The preparation of the financial statements for 2019 is in progress. The figures in this press release have not been audited.

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 three core product groups: payments, mortgages and savings. De Volksbank has a balance sheet total of € 62 billion and 2,991 internal employees (FTEs), which makes it a major player in the Dutch 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 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 through to insurance.

ASN Bank

Sustainability

ASN Bank has been one of the leading banks in sustainable banking in the Netherlands for 50 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. ASN Bank bases its choices on the three pillars of its sustainability policy: human rights, climate and biodiversity.
ASN Bank demonstrates that its clear and understandable products offer a good feeling *and* good money.
www.asnbank.nl

BLG Wonen

Homeownership for everyone

BLG Wonen is committed to a housing market that is fairer and more accessible. 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 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. www.blg.nl

RegioBank

Quality of life in the neighbourhood

Just dropping by for a question or good advice. This is precisely what you can do at more than 500 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 the neighbourhood. It promotes local cohesion because it believes that having a social network close by makes people happy. The bank is a partner of *Oranje Fonds* and supports social activities. After all, RegioBank is not just a

bank, but part of the local community: a liaison that wants to strengthen social vitality and local entrepreneurship in the region. www.regiobank.nl

SNS
Financial resilience

SNS is for anyone who wants to bank with a straigforward, no-nonsense and humane bank. Not only in terms of products traditionally offered by a bank, such as current accounts or mortgages. But above all, broader than that: what do customers think is important, what do they need help with or what keeps them awake?
SNS supports its customers in managing their financial lives and makes customers financially resilient by being close to them, in a simple and humane way. www.snsbank.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.