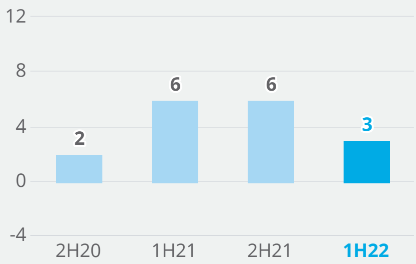
# 2022

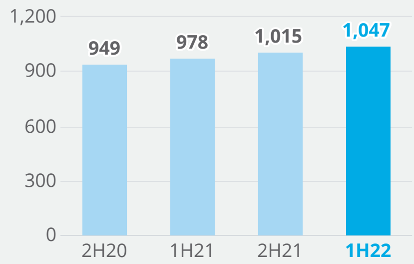
# Interim financial report

# Key figures

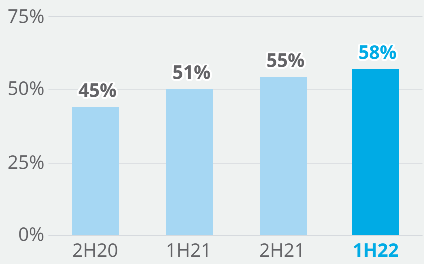
### Net Promoter Score[1]



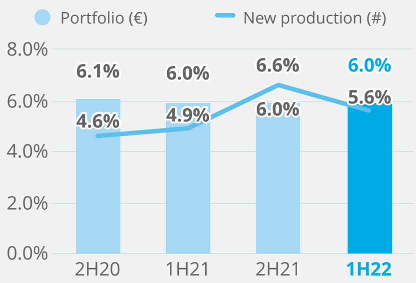

### Active multi-customers[2]



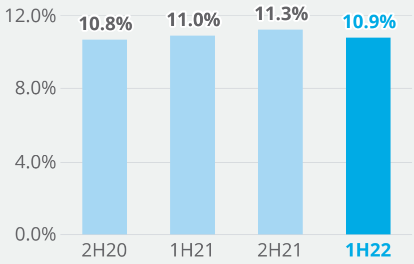

### Climate-neutral balance sheet



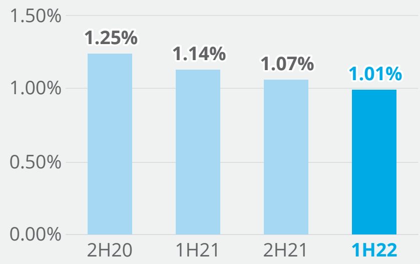

### Market share res. mortgages[3]



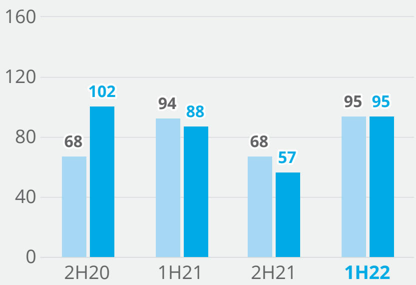

### Market share retail savings



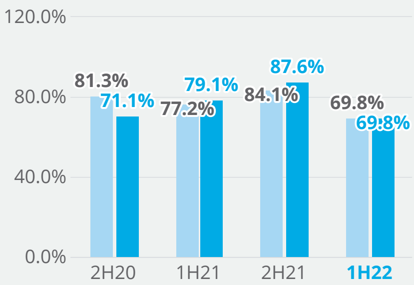

### Net interest margin



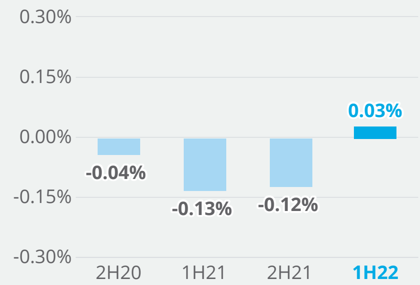

### Net result/Adjusted net result



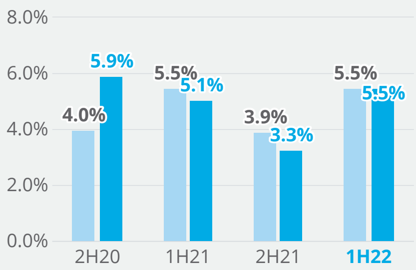

### C/I ratio & adjusted C/I ratio



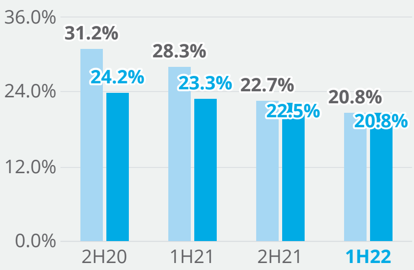

### Cost of risk total loans



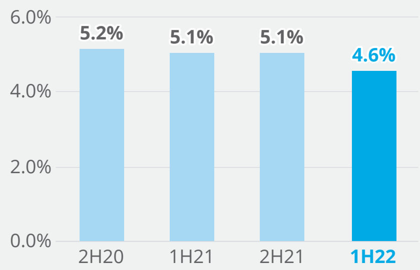

### RoE/Adjusted RoE




### CET1 ratio Basel III / IV[4]




### Leverage ratio




1 Customer-weighted average NPS of all brands. Source: market research company Miles Research.
2 Active multi-customer: a customer with a current account and at least one product from another product group, who has made at least ten customer-initiated transactions on his or her current account for three months in a row.
3 Market share of the residential mortgage portfolio concerns the first quarter of 2022 as total market size figures were not yet available at the time of publication. Market shares for 2020 and 2021 have been adjusted as a result of market size adjustments by Statistics Netherlands (CBS).
4 CET1 ratio based on Basel IV is an estimate.

# Foreword

Martijn Gribnau, CEO of de Volksbank

“In the first half of 2022 the economy and financial markets were both faced with exceptional developments. The war in Ukraine exacerbated inflation, resulting from high energy prices and supply chain bottlenecks. Consumer confidence was affected by increasing uncertainty about economic growth prospects and declining disposable household income. Market interest rates showed a sharp increase, notably in the second quarter. Mortgage rates tripled compared with year-end 2021 and house prices are showing signs of cooling. In July, the European Central Bank increased its key interest rates for the first time in eleven years and stated that more increases are likely in the coming months.

In these dynamic and complex market conditions, we focussed on implementing the strategy 2021-2025 entitled ‘Better for each other – from promise to impact’, that we presented in February of 2021.

For the bank as a whole, we have set ourselves two major strategic goals: firstly, in 2025 we want to be the bank with the strongest customer relationship in the Netherlands. Secondly, we want to be recognised as a bank that achieves a substantial and measurable positive impact on society. To bring this about, we formulated distinctive growth priorities for our four bank brands, as well as a number of necessary transformations in order to become a more robust financial and operational organisation. To measure the progress on our strategic goals and priorities, we have set a number of long-term objectives for 2025 for each of our four stakeholders: customers, society, employees and the shareholder.

In the first half of 2022, we made good progress with the implementation of our strategy. March saw the successful transition to a new way of working within our organisation based on agile principles, and the Executive Committee took office in May. In spite of these organisational changes, the ‘genuine attention for employees’ score remained virtually stable.

Regarding our impact on society: with a score of 58% at the end of June 2022, we are on track to achieve our objective of a 75% climate-neutral balance sheet in 2025. In March, we passed the milestone of 1 million pupils that we have reached with our Eurowise teaching materials. And our brands took several initiatives to make a positive contribution to society, such as the organisation of the online event entitled Future money talks by SNS and of the National Village Summit by RegioBank.

Our brands continue to be appreciated by our customers: in May of this year, in a survey conducted by MarketResponse, RegioBank was again voted ‘most customer-friendly bank’ in the Netherlands, with SNS and ASN Bank taking second and third place. Although the average Net Promoter Score of our brands declined somewhat, the number of active multi-customers continued to grow. We remain committed to offer new, relevant and useful products and services to our customers. In May, Apple Pay became available to customers of SNS, ASN Bank and RegioBank and, in cooperation with NHG, BLG Wonen launched a second pilot to enable high-rent tenants to buy a home (*Duurhuur 2.0*). In June we announced the introduction of a monthly rate for basic banking services at SNS and RegioBank as per 1 July.

On balance, from a commercial point of view, the first half of 2022 was a satisfactory period. New residential mortgage production in the first half of 2022 was € 4.3 billion, up € 1 billion compared with the first half of 2021. At € 3.5 billion, redemptions were also higher compared with € 3.3 billion, so that commercial growth totalled € 0.8 billion. SME loans grew by € 145 million to € 975 million. At € 45.7 billion, retail savings were virtually stable compared with year-end 2021. Driven by declining stock markets, assets under management by ASN Bank decreased by € 0.8 billion to € 4 billion.

The changing market environment had a major impact on individual line items in the profit and loss account in the first half. Ultimately, net profit totalled € 95 million, virtually stable compared with the first half of 2021 (€ 94 million).

Total income rose by 11% to € 463 million. Net interest income declined 5% to € 372 million due to a lower average coupon on loans and higher hedge and wholesale funding expenses. As in previous periods, net interest income was supported by a high level of prepayment charges. Net fee and commission income went up 20% to € 24 million, mainly driven by higher mortgage advisory fees and the contribution of property valuation platform Fitrex, acquired on 1 September 2021. In line with our strategy, both fee income per customer and fee income versus interest income went up. A major increase occurred at ‘other income’, where a high positive result on swaptions was realised totalling € 51 million, driven by the increase in market interest rates and a more effective hedging strategy. On top of this, realised results on the investment portfolio, including related derivatives, and trading results were also higher. This meant that ‘other income' increased sharply to € 67 million from € 5 million in the first half of 2021.

Total operating expenses were € 1 million higher at € 323 million, corresponding to a cost/income ratio of 69.8% (first half of 2021: 77.2%). Operating expenses adjusted for incidental items were € 7 million lower (-2%), mainly due to lower staff costs and a release of a provision for legal proceedings.

In the first half of 2022, we set aside € 11 million to add to the provision for loan losses, wholly due to the increased credit risk on corporate loans. Actual defaults remained very low. In the first half of 2021, we still saw a reversal of impairment charges of € 31 million.

The net profit of € 95 million corresponds to a 5.5% Return on Equity.

Our CET1 capital ratio decreased to 20.8%, from 22.7% at year-end 2021, primarily driven by a deliberate increase in risk-weighted assets. The increase related mainly to exposures to financial institutions and corporates, used for optimising the return on excess liquidity. Core capital was lower as a result of a decrease in the fair value reserve, driven by increased interest rates.

To strengthen and diversify our capital position, we issued € 500 million of green senior non-preferred (SNP) notes in April 2022, followed by the issuance of € 300 million of green Additional Tier 1 notes in June. In spite of this last issuance, the leverage ratio decreased from 5.1% to 4.6% as the temporary ECB relief measure lapsed as per 1 April 2022. Under this relief measure, banks were allowed to exclude certain central bank exposures from the denominator of their leverage ratio.

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

On 16 May 2022, the Executive Committee took office. Earlier, on 1 April, we announced the appointment of Marjolein de Jongh as Chief Transformation Officer and of Michel Ruijterman as Chief Information Officer. On 23 June, we announced the appointment of André Haag as Chief Financial Officer with effect from 1 August. Finally, on 13 July, we announced the appointment of Jacqueline Touw as Chief People & Organisation Officer, with effect from 1 October 2022. With this last appointment all vacancies in the Executive Committee have been filled.

In the second half of 2022, we expect our net interest income to rebound as a result of higher income from mortgages and lower hedging costs. Fee income is set to continue to grow but the high result on swaptions in the first half is not likely to re-occur. In all, total income for the year is expected to be higher than last year. Operating expenses for the year are projected to be higher, in the absence of an incidental gain in 2021. We expect the level of impairments on loans and advances to be low in the second half year. All things considered, we expect the 2022 net profit to hold up compared with the level in 2021.

A year and a half after the introduction, the first results of our strategy are becoming visible. Looking ahead, we will continue to focus on building a more robust financial and operational organisation. To strengthen our customer relationships and increase our positive impact on society, we will keep investing in our employees, products, services, data and IT infrastructure. Finally, I would like to take this opportunity to thank our customers and employees for their trust in our bank.

# Progress on our objectives

We measure the progress in achieving our mission and realising our shared value ambition by means of specific strategic objectives for each of our stakeholders:

| Strategic objectives | Target 2025 | 30-6-2022 | 31-12-2021 | 30-6-2021 |
|---|---|---|---|---|
| **BENEFITS FOR CUSTOMERS** | | | | |
| Customer-weighted average Net Promoter Score (NPS)[1] | +13 | +3 | +6 | +6 |
| Active multi-customers (in 1,000)[1] | 1,300 | 1,047 | 1,015 | 978 |
| **RESPONSIBILITY FOR SOCIETY** | | | | |
| Climate-neutral balance sheet[1] | ≥75% | 58% | 55% | 51% |
| **GENUINE ATTENTION FOR OUR EMPLOYEES** | | | | |
| Genuine attention[1] | ≥ 7.5 | 7.7 | 7.8 | 7.8 |
| **RETURNS FOR THE SHAREHOLDER** | | | | |
| Return on Equity (RoE)[2] | 8.0% | 5.5% | 4.7% | 5.5% |
| **OTHER OBJECTIVES** | | | | |
| Common Equity Tier 1 ratio (Basel IV)[3] | ≥19% | 20.8% | 22.5% | 23.3% |
| Leverage ratio (Basel IV)[3] | ≥4.5% | 4.6% | 5.1% | 5.1% |
| Cost/income ratio[2] | 57-59% | 69.8% | 80.7% | 77.2% |

1 For the measurement methodology of this KPI reference is made to the ESG Report 2021.
2 For the measurement methodology of this KPI reference is made to the Section Reconciliation of alternative performance measures on page 42 of this report.
3 For more information, please refer to the Section Capital management.

## Benefits for customers

De Volksbank aims to be a bank that provides fair banking products, where customers feel at home and that looks from its customers' perspective. Although the average NPS of our brands declined, the number of active multi-customers continued to grow.

### Net Promoter Score

The customer-weighted average of all brand-specific NPS scores[1] decreased to +3, compared with +6 at year-end 2021, most notably due to a decrease at SNS. ASN Bank and RegioBank remained in the select group of Dutch banks with a positive NPS. De Volksbank has set itself a goal of +13 by the end of 2025.

### Number of active multi-customers

As from 2021, one of the Key Performance Indicators (KPIs) to measure our customer-related goals is the number of active multi-customers. In the first half of 2022, the number of active multi-customers rose by 32,000 to 1,047,000. Our target for year-end 2025 is 1.3 million active multi-customers.
The total number of current account customers grew by 60,000 to 1,841,000. The total number of customers dropped by 40,000 to 3,427,000, mainly due to the outflow of mono savings customers following the announcement of a Basic Banking package. This package, introduced as of 1 July for SNS and RegioBank customers, combines several day-to-day banking activities such as payments, savings and our personal services. Customers pay a fixed monthly rate for this package.

## Responsibility for society

As explained below, we aim to make a positive contribution to society through four themes: sustainability, housing, quality of life in the region and personal growth for everyone. Our Social Impact Framework sets out a range of targets and actions designed to positively contribute to these themes. This framework will mature over time as additional targets and actions are added on a regular basis and will help us to further contribute to the UN's Sustainable

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

Development Goals (SDGs). De Volksbank has committed to aligning its business strategy with the UN Principles for Responsible Banking (PRB) – our targets and actions on sustainability and a fair society are closely connected to the impact areas of the PRB.

As far as sustainability is concerned, we set ourself an ambitious target to realise a climate-neutral balance sheet by 2030. In addition, we have developed KPIs in relation to biodiversity and human rights.

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

To contribute to the quality of life in the region we support several projects to enhance social cohesion and togetherness in the region. We also want to support personal growth for everyone. As part of its strategic direction, SNS changed the name of their theme formerly known as 'financial resilience' into 'attention to personal growth for everyone', for which it has developed KPIs.

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

### Climate-neutral balance sheet
Halfway into 2022, our climate-neutral balance sheet is calculated to be 58%, on track to achieve our objective of at least 75% in 2025. This is a 3 percentage point increase, from 55% at year-end 2021. The year 2021 was the first reporting period in which we based our calculations on the Global GHG Accounting and Reporting Standard for the financial industry, developed by the Partnership Carbon Accounting Financials (PCAF). This 3 percentage point improvement is the result of an increase in financed renewable energy projects and an increase in purchased green bonds with a strong focus on renewable energy projects. In the first half of 2022, the $CO_2$ emissions amounted to 1,361 kilotons (year-end 2021: 1,341 kilotons), and avoided $CO_2$ emissions to 788 kilotons (year-end 2021: 742 kilotons).

## Genuine attention for employees
We want to empower employees to make a meaningful contribution to our mission and strategy by giving attention to autonomy, personal growth and professionalism. Every six months, we monitor the key performance indicators (KPIs) of shared value for employees: genuine attention and commitment and engagement. For the KPI 'genuine attention for employees' we aim for a score of at least 7.5 (on a 1-10 scale) in 2025. For commitment and engagement the target score is 8.0. In the employee survey conducted in May 2022, 80% of all employees participated in the survey. The scores for genuine attention and commitment and engagement both remained good at 7.7, 7.8 and 7.3 respectively (year-end 2021: 7.8, 7.9 and 7.4). Employees experience genuine attention and, despite all organisational changes, they remain engaged and committed.

## Returns for the shareholder

### Return on equity
In the first half of 2022, the RoE stood at 5.5%, in line with the first half of 2021 (5.5%). As communicated earlier, we expect the RoE in this year and next year to be below our 2025 target of 8%. We are making substantial investments to implement the 2021-2025 strategy to achieve a RoE of 8% by 2025.

## Other objectives

### Capital
The target level of the Common Equity Tier 1 ratio and the leverage ratio are based on Basel IV and the end-state of the CRR Non-performing Exposures (NPE) rules. For an explanation on our capital objectives and achievements, see the Chapter on Capital management.

### Cost/income ratio

In the first half of 2022, higher total income and virtually stable operating expenses including regulatory levies resulted in a cost/income ratio (C/I ratio) of 69.8%, an improvement compared with the first half of 2021 (77.2%) and the second half of 2021 (84.1%). As communicated earlier, we expect the C/I ratio to exceed the 2025 target range of 57-59% in this year and next year as the strategic initiatives are intended to produce an effect over the course of the years, at the level of both income and operating expenses.

## Outlook

We expect the decrease in net interest income to come to a halt in the course of 2022, despite sharply lower compensation received for loss of interest on account of early repayments of mortgages. The expected rebound in the second half of 2022 is the result of higher interest income on mortgages and other assets and lower hedging costs in the rising interest rate environment. Net fee and commission income in the second half of 2022 is expected to be higher compared with the first half of 2022, reflecting the continued progress of our growth initiatives. Other results on financial instruments are expected to drop sharply compared with the high level in the first half of 2022.

In all, we expect total income to be up compared with the 2021 level.

Operating expenses in the second half of 2022 are expected to be higher compared with the first half of 2022, mainly driven by strategy-related expenses and investments in services, data and IT infrastructure. For 2022 as a whole, operating expenses are projected to be higher compared with 2021 due to the absence of the one-off gain of 2021.

Economic developments in the Netherlands and their consequences for the financial resilience of our customers are highly uncertain. This may affect our credit loss provisioning. Based on the current outlook and due to the sound quality of our loan portfolio, we expect the level of impairment charges on loans and advances to be low in the second half of 2022.

All things considered, we expect the net profit for 2022 to hold up compared with the 2021 level.

# Economic developments

## Dutch economy

At the start of 2022, the Netherlands went into a strict lockdown to curb the spread of the very contagious Omicron variant of the coronavirus, which peaked early February. However, after opening up quite rapidly at the end of February, the economy was virtually back to normal at the end of March. Consumer spending had slumped during the lockdown, but surged back to life in the months thereafter increasing 1.5% quarter-on-quarter. Just when the Covid pandemic was nearing its end, Russia invaded Ukraine and the economy once again took a turn for the worse. Inflation - still thought to be temporary due to supply chain problems, economic dislocations and product scarcity - surged again as prices of energy and food rose as a consequence of the war and the European Union's determined response to Russia's aggression. Inflation peaked at 11.7% in March and eased back to 9.9% in June.

Initially, the economy held up quite well as the industrial sector was still producing at a maximum level and the services sector was profiting from the surge in pent-up demand after the Omicron lockdown, helped by large consumers’ savings buffers. Despite consumer sentiment plunging to record low levels during the first quarter, consumer spending soared after having been pent-up during the lockdown. Consequently, consumer savings fell rapidly during the second quarter.

## Housing and mortgage market

The housing market reached calmer waters after a year that was severely distorted by changes in the property transfer tax. The number of transactions slowed not only because of a lack of homes for sale, but also because of the very high level of house prices that began to discourage potential buyers without an urgent need to buy. Although house prices continued to rise due to the tight supply, they did start to slow down from the 20%+ pace reached at the end of 2021. In the meantime, the steady but very sharp rise in mortgage rates caused the sentiment in the housing market to change. In early 2022, a 10-year mortgage was still available at a rate of 1.1%, but at the end of June this rate had risen to 3.6%. With average price rises in the first six months of 19.3 % and a 23.5% decrease in the number of transactions compared to the same period last year, the housing market seemed to be holding up well. However, with increased economic uncertainty as a result of the Russia-Ukraine war and sharply rising inflation, the housing market appears to be turning around rapidly the end of the reporting period.

## Interest rates and government bond yields

As inflation was more stubborn than initially thought, the European Central Bank (ECB) took a more hawkish turn at the beginning of the year. When core-inflation started to rise as well, and market inflation expectations began to increase, the ECB changed the course of action and started to prepare the markets for the phasing out and termination of the bond-buying programme as well as for several rate hikes starting in July, not ruling out hikes of 50 bps. As a result, the shorter end of the yield curve steepened sharply with Dutch 2-year yields rising from -0.7% to a peak of 1.3% mid-June. As recession fears rose at the end of the reporting period - lowering fears of a long series of rate hikes, 2-year yields closed at 0.73%. The 10-year yields stood at 0.0% at the start of the year, peaked at 2.12% in mid-June and ended the reporting period at 1.74%.

## Savings market

Despite exceptionally low savings rates, the Dutch retail savings market grew to € 421 billion, from € 407 billion at year-end 2021.

# Financial results

The chapters on Financial results and Risk management contain information required by IAS 34. This information has been labelled as 'Reviewed'.

## Profit and loss account

| in € millions | 1H22 | 1H21 | Change | 2H21 |
|---|---|---|---|---|
| Net interest income | 372 | 392 | -5% | 383 |
| Net fee and commission income | 24 | 20 | 20% | 19 |
| Other income | 67 | 5 | 1240% | 8 |
| **Total income** | **463** | **417** | **11%** | **410** |
| Operating expenses excluding regulatory levies and provisions | 282 | 282 | 0% | 306 |
| Regulatory levies | 41 | 40 | 3% | 39 |
| **Total operating expenses** | **323** | **322** | **0%** | **345** |
| Impairment charges of financial assets | 11 | -31 | -- | -27 |
| **Total expenses** | **334** | **291** | **15%** | **318** |
| **Result before taxation** | **129** | **126** | **2%** | **92** |
| Taxation | 34 | 32 | 6% | 24 |
| **Net result** | **95** | **94** | **1%** | **68** |
| Revaluation loan in relation to insolvency of DSB | -- | 6 | | 11 |
| Total incidental items | **--** | **6** | | **11** |
| **Adjusted net result** | **95** | **88** | **8%** | **57** |
| Cost/income ratio (including regulatory levies)[1] | 69.8% | 77.2% | | 84.1% |
| Adjusted cost/income ratio (including regulatory levies)[1] | 69.8% | 79.1% | | 87.6% |
| Return on Equity (RoE)[1] | 5.5% | 5.5% | | 3.9% |
| Adjusted Return on Equity (RoE)[1] | 5.5% | 5.1% | | 3.3% |
| Net interest margin (bps)[1] | 1.01% | 1.14% | | 1.07% |
| Cost/assets ratio[1] | 0.77% | 0.82% | | 0.86% |
| Adjusted cost/assets ratio[1] | 0.77% | 0.84% | | 0.90% |

1 For the measurement methodology of these KPIs reference is made to the section Reconciliation of alternative performance measures on page 42 of this report.

### Net result

Compared with the first half of 2021, net profit increased marginally by € 1 million to € 95 million. In the first half of 2021 net profit included incidental items of € 6 million, consisting entirely of a positive revaluation of € 8 million before tax of a previous contribution made under the Deposit Guarantee Scheme (DGS) in relation to the insolvency of DSB. The second half of 2021 included € 11 million incidental items (€ 14 million before tax) for the same reason.

Net profit, adjusted for incidental items, rose by € 7 million (+8%). Total income was € 46 million higher, driven by an exceptionally high level of results on financial instruments. On top of that, total adjusted operating expenses decreased by € 7 million. This compensated for a € 42 million swing in impairment charges of financial assets.

In comparison with the second half of 2021, net profit increased by € 27 million. Net profit, adjusted for incidental items, increased by € 38 million. This increase was mainly attributable to € 53 million higher total income. In addition, total adjusted operating expenses decreased by € 36 million. This was partly offset by a € 38 million swing in impairment charges of financial assets.

# Income

## Breakdown of income

| in € millions | 1H22 | 1H21 | Change | 2H21 |
|---|---|---|---|---|
| Net interest income | 372 | 392 | -5% | 383 |
| Net fee and commission income | 24 | 20 | 20% | 19 |
| Investment income | -2 | -2 | 0% | 5 |
| Other results on financial instruments | 69 | 7 | 886% | 3 |
| **Total income** | **463** | **417** | **11%** | **410** |
| Net interest margin (bps)[1] | 1.01% | 1.14% | | 1.07% |

1 For the measurement methodology of this KPI reference is made to the section Reconciliation of alternative performance measures on page 42 of this report.

### Net interest income

Net interest income decreased by € 20 million to € 372 million (-5%) and the net interest margin decreased to 1.01% (first half of 2021: 1.14%). This was mainly due to lower income on mortgages as a result of interest rate renewals at lower rates. On top of that, new mortgage production was concluded at substantially lower rates than the rates of repaid mortgages. In the first half of 2022, the residential mortgage portfolio, excluding IFRS value adjustments[2], showed an increase to € 48.0 billion (year-end 2021: € 47.2 billion).

In addition, the interest paid on liquidities deposited with financial institutions, such as the European Central Bank, increased driven by higher deposits compared to the first half of 2021. Finally, wholesale funding expenses were higher due to issuances of senior non-preferred debt - to strengthen our MREL ratio - and covered bonds.

Lower income on mortgages, higher interest paid on liquidities and higher wholesale funding expenses were only partly compensated by lower interest expenses on savings. Due to the persistently low and negative interest rates on financial markets and people saving more at the same time, de Volksbank took some measures. As from 1 July 2021, de Volksbank brands charge 0.5% interest per year on that part of the balance that exceeds € 100,000. Approximately 7% of total deposits and around 3% of our savings customers are currently subject to negative interest rates. On 28 July 2022, we announced that from 1 October 2022 negative interest rates will be removed. In the first half of 2022, savings deposits at de Volksbank grew slightly by € 0.1 billion to € 45.7 billion. In a higher market, our market share decreased to 10.9%, from 11.3% at year-end 2021.

Compensation received for loss of interest on account of early repayments of mortgages remained high as a result of a high mortgage refinancing market. This compensation amounted to € 49 million and was up compared with the level of the first half of 2021 (€ 38 million), but below the second half of 2021 (€ 65 million). The compensation amount in the first half of 2022 included a € 9 million gain related to the refinement of the amortisation model.

Compared with the second half of 2021, net interest income dropped by € 11 million. This decrease was mainly attributable to lower income on mortgages, lower compensation received for loss of interest on account of early repayments of mortgages and higher wholesale funding expenses. On the other hand, the second half of 2021 included a charge of € 13 million related to a provision for a compensation scheme for customers with a revolving consumer credit facility.

### Net fee and commission income

Total fee and commission income increased by € 9 million to € 75 million (+14%), while total fee and commission expenses increased by € 5 million to € 51 million. On balance, net fee and commission income rose by € 4 million to € 24 million, mainly due to higher advisory fees driven by higher income on mortgage advisory fees in a higher market and the contribution of property valuation platform Fitrex B.V., acquired on 1 September 2021.

Management fees were broadly in line with the first half of 2021. Assets under management amounted to € 4.0 billion, compared with € 4.2 billion at the end of June 2021 and € 4.8 billion at year-end 2021. This decrease was caused by negative stock market developments.

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

### Investment income
Investment income amounted to € 2 million negative, equal to the first half of 2021. In both periods investment income consisted entirely of realised results on fixed-income investments, sold as part of asset and liability management and the optimisation of the investment portfolio. Compared with the second half of 2021, investment income decreased € 7 million due to lower realised results on fixed-income investments.

### Other results on financial instruments
Other results on financial instruments amounted to € 69 million. This high level was driven by extraordinary circumstances on financial markets, as evidenced in an increase in interest rates and high volatility. Compared with the first half of 2021, other results on financial instruments rose by € 62 million. In 2021, de Volksbank set up a programme to protect long-term interest income against sharply rising interest rates by means of interest rate swaptions. The first half of 2022 saw a sharp rise in interest rates combined with high market volatility, resulting in better results from swaptions, amounting to € 51 million. In addition, hedge accounting results on investments were up driven by increased spreads. The result on hedge accounting ineffectiveness of mortgages was also higher, as were treasury results.

Compared with the second half of 2021, other results on financial instruments increased by € 66 million, also mainly driven by higher results on swaptions, hedge accounting ineffectiveness and higher treasury results.

## Expenses

### Operating expenses and FTEs

| in € millions | 1H22 | 1H21 | Change | 2H21 |
|---|---|---|---|---|
| Staff costs | 195 | 198 | -2% | 216 |
| Depreciation of (in)tangible assets | 10 | 11 | -9% | 9 |
| Other operating expenses | 118 | 113 | 4% | 120 |
| *of which regulatory levies* | *41* | *40* | *3%* | *39* |
| **Total operating expenses** | **323** | **322** | **0%** | **345** |
| Incidental revaluation of loan related to the DSB insolvency (in Other operating expenses) | -- | -8 | | -14 |
| **Adjusted operating expenses** | **323** | **330** | **-2%** | **359** |
| **FTES** | | | | |
| Number of internal FTEs | 3,162 | 3,228 | -2% | 3,178 |
| Number of external FTEs | 761 | 766 | -1% | 783 |
| **Total number of FTEs** | **3,923** | **3,994** | **-2%** | **3,961** |

Total operating expenses rose marginally by € 1 million to € 323 million. In the first half of 2021, operating expenses were positively impacted by an incidental item, consisting of a € 8 million revaluation of a previous contribution made under the DGS in relation to the insolvency of DSB. The second half of 2021 included a € 14 million gain for the same reason.

Excluding incidental items, total operating expenses decreased by € 7 million (-2%). Regulatory levies amounted to € 41 million, marginally up compared with € 40 million in the first half of 2021. Of regulatory levies, € 14 million was linked to the resolution fund contribution (first half of 2021: € 11 million), and € 27 million to the ex-ante DGS contribution (first half of 2021: € 29 million).

Excluding regulatory levies, adjusted operating expenses were down by € 8 million, mainly due to lower consultancy costs, a release of a provision for legal proceedings and lower staff costs.

The first half of 2022 saw a reduction in staff costs of € 3 million, mainly due a swing in restructuring charges. Whereas the first half of 2021 included a modest charge to the restructuring provision, the first half of 2022 included a modest release. The latter was the result of expectations that part of the envisaged cost savings is expected to be realised by filling fewer vacancies. Apart from a reduction in restructuring charges, a slight decrease in total FTEs contributed to lower staff costs. In comparison with year-end 2021, the total number of FTEs dropped by 38 to 3,923, involving a reduction of 16 internal FTEs to 3,162 and 22 external FTEs to 761. The overall FTE reduction was partly attributable to the transition to an agile way of working, implemented on 1 March 2022. The transition to a uniform and agile way of working with independent customer and service teams will result in higher team productivity and a flatter organisation, which is now expected to result in a reduction of 400-450 FTE jobs by early 2024. In parallel with this process, new employees having the knowledge and skills required to implement our strategy have been and will be hired. Exactly how many jobs will be involved over the next few years will partly depend on the growth rate of our organisation.

A combination of lower adjusted expenses and higher average assets reduced the adjusted cost/assets ratio to 77 basis points (bps), from 84 bps in the first half of 2021.

Compared with the second half of 2021, total operating expenses were down by € 22 million. Adjusted for incidental items, total operating expenses dropped by € 36 million (-10%), as a result of lower staff, marketing and consultancy costs.

## Impairment charges of financial assets Reviewed

| in € millions | 1H22 | 1H21 | Change | 2H21 |
|---|---|---|---|---|
| Residential mortgages | -2 | -21 | -- | -25 |
| Consumer loans | -2 | -1 | -- | 4 |
| SME loans | -2 | -7 | -- | -5 |
| Other corporate and government loans | 14 | -3 | -- | -1 |
| Investments | 3 | 1 | -- | -- |
| **Total impairment charges of financial assets** | **11** | **-31** | **--** | **-27** |
| Cost of risk of total loans[1] | 0.03% | -0.13% | | -0.12% |
| Cost of risk of residential mortgages[1] | -0.01% | -0.09% | | -0.11% |
| Cost of risk of SME loans[1] | -0.32% | -1.98% | | -1.19% |

1 For the measurement methodology of these KPIs reference is made to the section Reconciliation of alternative performance measures on page 42 of this report.

Impairment charges of financial assets consisted of a charge of € 11 million, compared with a reversal of € 31 million in the first half of 2021. For a more detailed description of the credit loss provisioning, see the chapter on Credit risk.

### Residential mortgages

Impairment charges on residential mortgages consisted of a small reversal of € 2 million, compared with a reversal of € 21 million in the first half of 2021. The management overlay applied decreased compared with year-end 2021, mainly due to a release of the Covid 19-related management overlay due to less uncertainty. In addition, the general management overlay in place to cover the risk of a big drop in residential house prices decreased. On the other hand, an overlay was included to reflect the risk of high inflation impacting our customers' payment capacity. The management overlay decrease was compensated by an increase in modelled provisions as a result of a less positive macroeconomic outlook.

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

The second half of 2021 included a reversal of € 25 million as house prices continued to develop positively and the economic outlook used to determine the credit loss provisions continued to improve.

### Consumer loans

Impairment charges on other consumer loans consisted of a reversal of € 2 million, compared with a reversal of € 1 million in the first half of 2021. The second half of 2021 included a charge of € 4 million, mainly driven by the implementation of a new regulatory definition of default.

### SME loans

Impairment charges on SME loans consisted of a reversal of € 2 million due to a lower management overlay as the Covid 19-related management overlay was released. Compared with the first half of 2021, which saw a reversal of € 7 million, the reversal was lower, driven by a less positive economic outlook, in particular an increase in the expected number of insolvencies.

### Other corporate and government loans

Impairment charges on other corporate and government loans rose to € 14 million, caused by increased credit risk of a few individual loans provided. In the first half of 2021, impairment charges on other corporate and government loans consisted of a reversal of € 3 million as the credit risk on the same loans decreased.

## Taxation

De Volksbank recognised € 34 million in corporate income tax, corresponding to an effective tax rate of 26.6%, above the nominal rate of 25.8% as a result of the interest deduction limitation on borrowed capital (thin cap rule).

# Risk management

## Credit risk

### Key figures

| in € millions | 30 June 2022 Gross carrying amount | Provision for credit losses | Book value | 31 December 2021 Gross carrying amount | Provision for credit losses | Book value |
|---|---|---|---|---|---|---|
| Residential mortgages[1] | 47,991 | -73 | 47,918 | 47,208 | -73 | 47,135 |
| Consumer loans | 52 | -10 | 42 | 52 | -10 | 42 |
| SME loans[1] | 975 | -21 | 954 | 830 | -23 | 807 |
| Other corporate and government loans | 1,817 | -15 | 1,802 | 1,777 | -1 | 1,776 |
| IFRS value adjustments[2] | -1,353 | -- | -1,353 | 810 | -- | 810 |
| **Total loans and advances to customers** | **49,482** | **-119** | **49,363** | **50,677** | **-107** | **50,570** |
| Off-balance sheet items[1] | 3,118 | -13 | 3,105 | 3,386 | -13 | 3,373 |
| **Total on and off-balance sheet items for loans and advances to customers** | **52,600** | **-132** | **52,468** | **54,063** | **-120** | **53,943** |

| **Credit risk indicators** | **30 June 2022** | **31 December 2021** |
|---|---|---|
| **Total loans and advances to customers** | | |
| Loans and advances in stage 3 | 523 | 607 |
| Stage 3 ratio[3] | 1.0% | 1.2% |
| Stage 3 coverage ratio[4] | 9.4% | 6.6% |
| Total loans and advances in arrears[5] | 0.7% | 0.8% |
| **Residential mortgages** | | |
| Residential mortgages in stage 3 | 424 | 531 |
| Stage 3 ratio[3] | 0.9% | 1.1% |
| Stage 3 coverage ratio[4] | 3.3% | 3.2% |
| Residential mortgages in arrears[5] | 0.7% | 0.7% |
| Weighted average indexed LtV | 50% | 53% |

1 As from 2022, funds for new mortgage loans that have been deposited by de Volksbank at a Notary Public's third-party account, but of which the deed of transfer of title has not yet been signed at said Notary Public's office, are presented in line item Other assets. Comparative figures for 2021 have been adjusted accordingly.
2 Consist of fair value adjustments from hedge accounting and amortisations.
3 Stage 3 loans as a percentage of total loans.
4 Provision for stage 3 loans as a percentage of total stage 3 loans.
5 Total loans in arrears as a percentage of total loans.

### Loans and advances to customers

In the first half of 2022, gross loans and advances to customers decreased by € 1.2 billion to € 49.5 billion. This was entirely attributable to negative fair value adjustments from hedge accounting, which decreased by € 2.2 billion due to the increase in interest rates. Excluding the fair value adjustments, gross growth amounted to € 1.0 billion. Gross residential mortgage loans grew by € 0.8 billion.

Besides, the total outstanding amount of the SME loans rose by € 145 million and other corporate and government loans by € 40 million, while consumer loans remained stable.

The credit quality of loans and advances to customers improved despite less favourable macroeconomic conditions and geopolitical tensions. The percentage of loans and advances in arrears decreased to 0.7% (31 December 2021: 0.8%). The stage 3 exposure decreased by € 84 million, causing the stage 3 ratio to improve to 1.0%. In all portfolios the amounts of incurred losses due to write-offs remained low.

The total provision for credit losses increased to € 132 million as at 30 June 2022, from € 120 million as at 31 December 2021, mostly due to the downward revision of the macroeconomic forecasts and the transfer of two large corporate loans to stage 3. This was partly compensated by a release of the management overlay. For more information about the management overlay please refer to the Section Management overlay below. By the end of the second quarter of 2022 we have recorded little to no credit deterioration in our loan portfolios as a result of the Covid-19 pandemic. This was mainly due to government support measures for corporates taken in the past 2 years and timely provided customer support.

### General approach to customer services

The Russia-Ukraine war, accompanied by high food and energy prices and the continued supply-chain problems, put pressure on the economies worldwide. To keep emerging risks under control we tightened a number of acceptance policy rules for the residential mortgage portfolio. For example, for customers in certain risk categories we lowered the Loan-to-Value the interest-only mortgages from 50% to 40% of the property's market value.

The SME loan portfolio was not direct affected by the Russia-Ukraine conflict. We do, however, expect rising inflation to have some impact in the future and therefore carefully monitor developments in the portfolio. At this moment we do not yet see reasons to tighten the acceptance criteria for SME loans.

## Definition of Default Reviewed

On 31 December 2021, we implemented a uniform definition of default (DoD) for all of de Volksbank's credit exposures, which is in line with Article 178 of the Capital Requirements Regulation (CRR). A default is considered to occur if at least one of the following conditions is met:

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

In the fourth quarter of 2021, the ECB granted de Volksbank permission to use its new version of the Advanced Internal Ratings Based (AIRB) model, which incorporates the new DoD, including some model improvements as identified during the Targeted Review of Internal Models (TRIM). The IFRS 9 Expected Credit Loss (ECL) models apply the new DoD to align the AIRB and IFRS 9 estimates. The review, including calibration, of the new IFRS 9 model for residential mortgages is planned for 2023.

## Management overlay Reviewed

In response to the extraordinary level of economic uncertainty related to the impact of the Covid-19 pandemic and the subsequent lockdowns, de Volksbank introduced a management overlay for its residential mortgages and SME loans in mid-2020. All Covid-19 restrictions in the Netherlands were lifted at the end of March 2022 and back tests show no indication to maintain the Covid-related management overlay. However, we have identified other uncertainties and therefore new items have been introduced in the general management overlay. The total management overlay dropped to € 53 million (year-end 2021: € 67 million).

### General management overlay

The Covid-19 pandemic left scars in several supply chains, resulting in an imbalance between supply and demand and an increase in inflation. The Russia-Ukraine war amplified this increase, especially through higher energy prices, which affected almost every business. Inflation can cause households to get into financial difficulties, especially those who have (almost) reached their maximum borrowing capacity and have little to no room to lower their mortgage payments. To cover this risk for recently originated residential mortgages, we introduced a management overlay amounting to € 10 million.

Furthermore, de Volksbank maintained the management overlay for a potential shock to the house price index. The year-on-year growth recorded by Statistics Netherlands (CBS) was 18.8% (May 2022 figure). The housing market is cooling somewhat and the macroeconomic outlook already contains a (slight) fall in house prices. To prevent a leverage, the House Price Index (HPI) forecast is deducted from the HPI 12 months back level. Accordingly, we took a provision of € 35 million for both the effect of such a shock on the total residential mortgage portfolio and the effect for interest-only mortgages specifically. Together with € 7 million for future model improvements, this makes up the general management overlay of € 52 million for the residential mortgage portfolio.

We have formed a general management overlay of € 1 million for SME customers who may suffer from a high indebtedness combined with weakened cash flow expectations (caused by the less favorable macro-economic conditions).

We review the elements of the management overlay at least every quarter.

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

| in € millions | 30-6-2022 | | | | 31-12-2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Post-model adjustments | | | | Post-model adjustments | | |
| | Modelled provision for credit losses | General manage-ment overlay | Covid-related manage-ment overlay | Total provision for credit losses | Modelled provision for credit losses | General manage-ment overlay | Covid-related manage-ment overlay | Total provision for credit losses |
| Residential mortgages | 29 | 52 | -- | 81 | 18 | 54 | 8 | 80 |
| Consumer loans | 14 | -- | -- | 14 | 15 | -- | -- | 15 |
| SME loans | 21 | 1 | -- | 22 | 19 | -- | 5 | 24 |
| Other corporate and government loans | 15 | -- | -- | 15 | 1 | -- | -- | 1 |
| **Total** | **79** | **53** | **--** | **132** | **53** | **54** | **13** | **120** |

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

## Forward-looking information Reviewed

### Macroeconomic scenarios used in credit risk models

The Russia-Ukraine war set the Dutch economy, which had not yet fully recovered from the Covid-19 crisis, on a course of slower growth and rising inflation. The Dutch gross domestic product (GDP) remained virtually unchanged in the second quarter of 2022, compared with the fourth quarter of 2021. Although house prices continued to rise, they did slowdown. Mortgage rates are rising, but still remain low.

De Volksbank has adjusted its macroeconomic forecasts to the new reality. As far as forecasts for the unemployment rate, bankruptcies, HPI growth and the volume of housing transactions are concerned, they deteriorated in all scenarios (upward, baseline and downward) compared with the fourth quarter of 2021. Scenario weights were kept unchanged.

### Analysis of sensitivity to scenario weights

The sensitivity analyses in the tables below show de Volksbank's macroeconomic projections for the next four years. They also show the sensitivity of provisioning levels to the upward, baseline and downward scenario weights, keeping the management overlay parameters constant. If we look at the different scenarios as at 30 June 2022 with a 100% weighting, we see that the provision for residential mortgages would increase by € 42 million in a downward scenario, decrease by € 40 million in an upward scenario and decrease by € 17 million in a baseline scenario.

The sensitivity to macroeconomic expectations on the loan loss provisions for SME loans is less significant. The provision for SME loans would increase by € 1 million in a downward scenario and decrease by € 2 million in the upward scenario and remain the same as reported in a baseline scenario, again assuming a 100% weighting of the respective scenarios.

For consumer loans and other corporate and government loans, the sensitivity to the scenario weights is limited since the provisions in stage 1 and 2 for consumer loans are relatively low and other corporate and government loans generally have a low credit risk profile.

### Sensitivity to the scenario weights 30 June 2022[1] Reviewed

| | Macroeconomic parameter | 2022 | 2023 | 2024 | 2025 | 2026 | Weight | Unweighted ECL | Reported (weighted) ECL |
|---|---|---|---|---|---|---|---|---|---|
| **RESIDENTIAL MORTGAGES** | | | | | | | | | |
| Up | Relative change in house price index | 17.2% | 2.3% | 4.5% | 3.8% | 3.8% | 15% | € 41 million | |
| | Unemployment rate | 3.4% | 3.3% | 3.5% | 3.6% | 3.6% | | | |
| Base | Relative change in house price index | 9.7% | -3.1% | 4.1% | 3.8% | 3.8% | 50% | € 64 million | € 81 million |
| | Unemployment rate | 3.6% | 4.7% | 4.7% | 4.3% | 4.3% | | | |
| Down | Relative change in house price index | 6.0% | -11.2% | -0.3% | 3.8% | 3.8% | 35% | € 123 million | |
| | Unemployment rate | 3.8% | 5.5% | 6.5% | 5.6% | 4.4% | | | |
| **SME LOANS** | | | | | | | | | |
| Up | Unemployment rate | 3.4% | 3.3% | 3.5% | 3.6% | 3.6% | 15% | € 20 million | |
| | Number of bankruptcies (monthly) | 182 | 240 | 249 | 257 | 273 | | | |
| Base | Unemployment rate | 3.6% | 4.7% | 4.7% | 4.3% | 4.3% | 50% | € 22 million | € 22 million |
| | Number of bankruptcies (monthly) | 184 | 366 | 456 | 471 | 480 | | | |
| Down | Unemployment rate | 3.8% | 5.5% | 6.5% | 5.6% | 4.4% | 35% | € 23 million | |
| | Number of bankruptcies (monthly) | 184 | 400 | 576 | 619 | 623 | | | |

1 The macroeconomic parameters look ahead with an interval of 12 months as of the reporting period.

### Sensitivity to the scenario weights 31 December 2021[1] Reviewed

| | Macroeconomic parameter | 2021 | 2022 | 2023 | 2024 | 2025 | Weight | Unweighted ECL | Reported (weighted) ECL |
|---|---|---|---|---|---|---|---|---|---|
| **RESIDENTIAL MORTGAGES** | | | | | | | | | |
| Up | Relative change in house price index | 21.7% | 8.6% | 4.3% | 3.8% | 3.8% | 15% | € 54 million | |
| | Unemployment rate | 2.8% | 2.4% | 2.3% | 2.3% | 2.3% | | | |
| Base | Relative change in house price index | 19.2% | 5.3% | 4.4% | 3.8% | 3.8% | 50% | € 66 million | € 80 million |
| | Unemployment rate | 3.1% | 2.9% | 2.6% | 2.6% | 2.7% | | | |
| Down | Relative change in house price index | 14.2% | -1.4% | 6.3% | 3.8% | 3.8% | 35% | € 107 million | |
| | Unemployment rate | 3.5% | 5.0% | 4.7% | 4.5% | 4.5% | | | |
| **SME LOANS** | | | | | | | | | |
| Up | Unemployment rate | 2.8% | 2.4% | 2.3% | 2.3% | 2.3% | 15% | € 23 million | |
| | Number of bankruptcies (monthly) | 175 | 193 | 178 | 176 | 175 | | | |
| Base | Unemployment rate | 3.1% | 2.9% | 2.6% | 2.6% | 2.7% | 50% | € 23 million | € 24 million |
| | Number of bankruptcies (monthly) | 176 | 239 | 241 | 238 | 236 | | | |
| Down | Unemployment rate | 3.5% | 5.0% | 4.7% | 4.5% | 4.5% | 35% | € 27 million | |
| | Number of bankruptcies (monthly) | 178 | 304 | 350 | 343 | 340 | | | |

1 The macroeconomic parameters look ahead with an interval of 12 months as of the reporting period.

## Key developments per portfolio

### Residential mortgage portfolio

#### Developments in the residential mortgage portfolio

De Volksbank's residential mortgage portfolio, excluding IFRS value adjustments, grew to € 48.0 billion (year-end 2021: € 47.2 billion) as new production exceeded redemptions. As mortgage rates began to rise in the first half of 2022, homeowners were eager to lock in rates for a longer period of time, thus increasing their financial security. In the first half of 2022, our share of mortgage originations with a fixed interest rate of 15 years or longer amounted to 72% (first half of 2021: 66%). However, impacted by the sharp increase in mortgages rates in the second quarter of 2022, there is a shift visible towards 10-years fixed mortgages rates. In a higher market for new mortgages, de Volksbank's new mortgage production amounted to € 4.3 billion (first half of 2021: € 3.3 billion).

The market share of new mortgages stood at 5.6%, up compared with the first half of 2021 (4.9%). Repayments amounted to € 3.5 billion, compared with € 3.3 billion in the first half of 2021, mainly due to the rising mortgage refinancing volumes. Interest rate renewals amounted to € 1.4 billion, slightly above the first half of 2021 (€ 1.3 billion), due to higher early renewals, partly compensated by lower regular renewals.

The percentage of customers who take out NHG-guaranteed loans declines very gradually over the years. The weighted average indexed Loan-to-Value (LtV) of the residential mortgage portfolio improved to 50%, from 53% at year-end 2021. To determine the LtV, we index collateral values every month on the basis of house price developments. Rising house prices have led to a shift of mortgages to lower LtV buckets.

So far, geopolitical tensions and the deteriorated macroeconomic environment have has little impact on the credit quality of the residential mortgage portfolio. However, the deteriorated macroeconomic forecasts, in particular those for the unemployment rate and the HPI, caused a rise in the stage 2 exposure, offsetting the outflow as a result of recovered exposure. At the same time, the percentage of loans and advances to customers in arrears remained unchanged at 0.7%. Stage 3 exposure fell to € 424 million from € 531 million, causing the stage 3 ratio to drop to 0.9%.

### Provision for credit losses for the residential mortgage portfolio

In first half of 2022, the credit loss provision for residential mortgages remained unchanged at € 73 million. The release in the Covid-related management overlay offset the increase in the modelled provision. The stage 1 provision rose from € 32 million to € 43 million, following the inflow of new customers. Mainly due to the release of the management overlay, the stage 2 and 3 provisions dropped from € 24 million to € 16 million, and from € 17 million to € 14 million respectivaly. This was partly offset by higer modelled provisions, due to a deteriorated macroeconomic scenario.

## Consumer loan portfolio

The volume of the consumer loan portfolio remained stable. The increasing inflow of new personal loans mitigated the downward trend of the portfolio of recent years, which was caused by the winding down of the revolving credit portfolio.
In the first half of the 2022, the credit quality of consumer loan portfolio did not change significantly. The stage 3 ratio declined from 19.2% to 17.3%. The total loan loss provision for consumer loans decreased slightly from € 10 million to € 9 million. Coverage ratios remained relatively stable.

## SME loan portfolio

In the first half of the 2022, the SME loan portfolio grew from € 830 million to € 975 million.

In the first half of 2022, the credit loss provision for SME loans dropped from € 23 million to € 21 million, driven by a decrease in the stage 1 provision as a consequence of the lower management overlay.

Overall, customers migrated to better stages, resulting in lower stage 2 and stage 3 exposures. However, the coverage ratios in stage 2 and 3 increased, mainly due to the downward revision of the macroeconomic forecast.

## Other corporate and government loan portfolio

The total credit loss provision for other corporate and government loans rose from € 1 million to € 15 million, mainly attributable to a few individual corporate customers entering stage 3 in the first half of 2022, generating a € 14 million provision increase.

## Loans and advances to customers by stage Reviewed

| in € millions | 30-6-2022 Gross carrying amount | Provision for credit losses | Stage ratio | Coverage ratio | 31-12-2021 Gross carrying amount | Provision for credit losses | Stage ratio | Coverage ratio |
|---|---|---|---|---|---|---|---|---|
| **STAGE 1** | | | | | | | | |
| Residential mortgages[1] | 46,105 | -43 | 96.1% | 0.1% | 45,102 | -32 | 95.5% | 0.1% |
| Consumer loans | 24 | -- | 46.2% | 0.0% | 28 | -- | 53.8% | 0.0% |
| SME loans[1] | 838 | -3 | 85.9% | 0.4% | 652 | -6 | 78.6% | 0.9% |
| Other corporate and government loans | 1,714 | -1 | 94.3% | 0.1% | 1,653 | -1 | 93.0% | 0.1% |
| **Total loans and advances to customers stage 1** | **48,681** | **-47** | **95.8%** | **0.1%** | **47,435** | **-39** | **95.1%** | **0.1%** |
| **STAGE 2** | | | | | | | | |
| Residential mortgages | 1,462 | -16 | 3.0% | 1.1% | 1,575 | -24 | 3.3% | 1.5% |
| Consumer loans | 19 | -1 | 36.5% | 5.3% | 14 | -- | 26.9% | 0.0% |
| SME loans | 90 | -6 | 9.2% | 6.7% | 112 | -4 | 13.5% | 3.6% |
| Other corporate and government loans | 60 | -- | 3.3% | 0.0% | 124 | -- | 7.0% | 0.0% |
| **Total loans and advances to customers stage 2** | **1,631** | **-23** | **3.2%** | **1.4%** | **1,825** | **-28** | **3.7%** | **1.5%** |
| **STAGE 3** | | | | | | | | |
| Residential mortgages | 424 | -14 | 0.9% | 3.3% | 531 | -17 | 1.1% | 3.2% |
| Consumer loans | 9 | -9 | 17.3% | 100.0% | 10 | -10 | 19.2% | 100.0% |
| SME loans | 47 | -12 | 4.8% | 25.5% | 66 | -13 | 8.0% | 19.7% |
| Other corporate and government loans | 43 | -14 | 2.4% | 32.6% | -- | -- | 0.0% | -- |
| **Total loans and advances to customers stage 3** | **523** | **-49** | **1.0%** | **9.4%** | **607** | **-40** | **1.2%** | **6.6%** |
| **TOTAL STAGE 1, 2 AND 3** | | | | | | | | |
| Residential mortgages | 47,991 | -73 | | 0.2% | 47,208 | -73 | | 0.2% |
| Consumer loans | 52 | -10 | | 19.2% | 52 | -10 | | 19.2% |
| SME loans[2] | 975 | -21 | | 2.2% | 830 | -23 | | 2.8% |
| Other corporate and government loans | 1,817 | -15 | | 0.8% | 1,777 | -1 | | 0.1% |
| **Total loans and advances to customers excluding IFRS value adjustments** | **50,835** | **-119** | | **0.2%** | **49,867** | **-107** | | **0.2%** |
| IFRS value adjustments[3] | -1,353 | | | | 810 | | | |
| **Total loans and advances to customers** | **49,482** | **-119** | | **0.2%** | **50,677** | **-107** | | **0.2%** |
| Off-balance sheet items stage 1[1] | 3,069 | -8 | | 0.3% | 3,343 | -7 | | 0.2% |
| Off-balance sheet items stage 2 | 39 | -1 | | 2.6% | 31 | -1 | | 3.2% |
| Off-balance sheet items stage 3 | 10 | -4 | | 40.0% | 12 | -5 | | 41.7% |
| **Total off-balance sheet items[4]** | **3,118** | **-13** | | **0.4%** | **3,386** | **-13** | | **0.4%** |
| **Total on and off-balance sheet items for loans and advances to customers** | **52,600** | **-132** | | **0.3%** | **54,063** | **-120** | | **0.2%** |

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

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

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

4 Consist of off-balance sheet facilities (of which € 401 million conditionally revocable; 31-12-2021: € 407 million), guarantees and repurchase commitments.

## Changes in loans and advances to customers (gross carrying amount) Reviewed

| in € millions | Residential mortgages[1] | | Consumer loans | | SME loans | | Other corporate and government loans | | Total loans | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1H22 | 2021 | 1H22 | 2021 | 1H22 | 2021 | 1H22 | 2021 | 1H22 | 2021 |
| **Opening balance** | **48,018** | **47,808** | **52** | **63** | **830** | **724** | **1,777** | **2,113** | **50,677** | **50,708** |
| Reclassifications[2] | -- | -146 | -- | -- | -- | -11 | -- | -- | -- | -157 |
| Originated or purchased | 4,311 | 8,086 | 6 | 2 | 181 | 219 | 1,513[3] | 4,229[3] | 6,011 | 12,536 |
| Change in current accounts | -- | -- | -4 | -9 | -20 | -21 | 22 | -6 | -2 | -36 |
| Matured or sold | -3,530 | -6,972 | -1 | -1 | -15 | -80 | -1,511[3] | -4,583[3] | -5,057 | -11,636 |
| Write-offs | -1 | -2 | -1 | -3 | -1 | -1 | -- | -- | -3 | -6 |
| Change in fair value as a result of hedge accounting | -2,160 | -723 | -- | -- | -- | -- | -- | -1 | -2,160 | -724 |
| Amortisations | -3 | -38 | -- | -- | -- | -- | -- | -- | -3 | -38 |
| Exchange rate differences | -- | -- | -- | -- | -- | -- | 16 | 27 | 16 | 27 |
| Other movements | 3 | 5 | -- | -- | -- | -- | -- | -2 | 3 | 3 |
| **Closing balance** | **46,638** | **48,018** | **52** | **52** | **975** | **830** | **1,817** | **1,777** | **49,482** | **50,677** |

1 Including IFRS value adjustments.

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

3 Includes short-term deposits with governments and pension funds in particular, with the advances and repayments being administered on a daily basis.

## Changes in the provisions for credit losses Reviewed

| in € millions | Residential mortgages | | Consumer loans | | SME loans | | Other corporate and government loans | | Total loans | | Off-balance[1] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1H22 | 2021 | 1H22 | 2021 | 1H22 | 2021 | 1H22 | 2021 | 1H22 | 2021 | 1H22 | 2021 |
| **Opening balance** | **73** | **111** | **10** | **12** | **23** | **38** | **1** | **5** | **107** | **166** | **13** | **5** |
| Transfer to stage 1 | -3 | -12 | -- | -1 | -4 | -1 | -- | -1 | -7 | -15 | -- | -- |
| Transfer to stage 2 | 2 | -3 | -- | -3 | 1 | -4 | -- | -3 | 3 | -13 | -- | -1 |
| Transfer to stage 3 | 3 | 1 | -- | 1 | 1 | 1 | 14 | -- | 18 | 3 | -- | -- |
| Change in credit risk | 3 | -30 | 1 | 3 | 5 | -4 | -- | -- | 9 | -31 | -1 | -- |
| Originated or purchased | 8 | 8 | -- | -- | 2 | 3 | -- | 1 | 10 | 12 | 1 | 1 |
| Matured or sold | -1 | -10 | -- | -- | -2 | -5 | -- | -1 | -3 | -16 | -- | -- |
| Change in models | -- | 1 | -- | 1 | -- | -1 | -- | -- | -- | 1 | -- | 3 |
| Change in management overlay | -11 | 9 | -- | -- | -4 | -3 | -- | -- | -15 | 6 | -- | 5 |
| **Impairment charges (releases)** | **1** | **-36** | **1** | **1** | **-1** | **-14** | **14** | **-4** | **15** | **-53** | **--** | **8** |
| Write-offs | -1 | -2 | -1 | -3 | -1 | -1 | -- | -- | -3 | -6 | -- | -- |
| **Closing balance** | **73** | **73** | **10** | **10** | **21** | **23** | **15** | **1** | **119** | **107** | **13** | **13** |
| *Of which: management overlay* | *46* | *56* | -- | -- | *1* | *5* | -- | -- | *47* | *61* | *6* | *6* |
| | | | | | | | | | | | | |
| Impairment charges (releases) | 1 | -36 | 1 | 1 | -1 | -14 | 14 | -4 | 15 | -53 | -- | 8 |
| Recoveries and other charges through P&L | -4 | -15 | -2 | -1 | -1 | 1 | -- | -- | -7 | -15 | -- | -- |
| **Total impairment charges (releases)[2]** | **-3** | **-51** | **-1** | **--** | **-2** | **-13** | **14** | **-4** | **8** | **-68** | **--** | **8** |

1 Off-balance sheet: liabilities from irrevocable facilities, guarantees and repurchase commitments.

2 The total impairment charges (releases) for the period excludes charges for investments and other financial assets for an amount of € 3 million (2021: € 1 million).

## Loans and advances in arrears Reviewed

| in € millions | Gross carrying amount 1H22 | Gross carrying amount 2021 | No arrears 1H22 | No arrears 2021 | ≤ 30 days in arrears 1H22 | ≤ 30 days in arrears 2021 | > 30 days ≤ 90 days in arrears 1H22 | > 30 days ≤ 90 days in arrears 2021 | > 90 days in arrears 1H22 | > 90 days in arrears 2021 | % in arrears 1H22 | % in arrears 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **RESIDENTIAL MORTGAGES** | | | | | | | | | | | | |
| Stage 1 | 46,105 | 45,102 | 46,060 | 45,066 | 22 | 17 | 10 | 4 | 13 | 15 | 0.1% | 0.1% |
| Stage 2 | 1,462 | 1,575 | 1,312 | 1,419 | 25 | 27 | 58 | 54 | 67 | 75 | 10.3% | 9.9% |
| Stage 3 | 424 | 531 | 294 | 378 | 4 | 6 | 20 | 24 | 106 | 123 | 30.7% | 28.8% |
| **Total residential mortgages** | **47,991** | **47,208** | **47,666** | **46,863** | **51** | **50** | **88** | **82** | **186** | **213** | **0.7%** | **0.7%** |
| **CONSUMER LOANS** | | | | | | | | | | | | |
| Stage 1 | 24 | 28 | 24 | 28 | -- | -- | -- | -- | -- | -- | 0.0% | 0.0% |
| Stage 2 | 19 | 14 | 19 | 14 | -- | -- | -- | -- | -- | -- | 0.0% | 0.0% |
| Stage 3 | 9 | 10 | 1 | 1 | -- | 1 | -- | -- | 8 | 8 | 88.9% | 90.0% |
| **Total consumer loans** | **52** | **52** | **44** | **43** | **--** | **1** | **--** | **--** | **8** | **8** | **15.4%** | **17.3%** |
| **SME LOANS[1]** | | | | | | | | | | | | |
| Stage 1 | 838 | 652 | 836 | 651 | 2 | 1 | -- | -- | -- | -- | 0.2% | 0.2% |
| Stage 2 | 90 | 112 | 81 | 106 | 6 | 4 | 3 | 2 | -- | -- | 10.0% | 5.4% |
| Stage 3 | 47 | 66 | 33 | 50 | 5 | 3 | 1 | 1 | 8 | 12 | 29.8% | 24.2% |
| **Total SME loans** | **975** | **830** | **950** | **807** | **13** | **8** | **4** | **3** | **8** | **12** | **2.6%** | **2.8%** |
| **OTHER CORPORATE AND GOVERNMENT LOANS** | | | | | | | | | | | | |
| Stage 1 | 1,714 | 1,653 | 1,714 | 1,653 | -- | -- | -- | -- | -- | -- | 0.0% | 0.0% |
| Stage 2 | 60 | 124 | 60 | 124 | -- | -- | -- | -- | -- | -- | 0.0% | 0.0% |
| Stage 3 | 43 | -- | 43 | -- | -- | -- | -- | -- | -- | -- | 0.0% | 0.0% |
| **Total other corporate and government loans** | **1,817** | **1,777** | **1,817** | **1,777** | **--** | **--** | **--** | **--** | **--** | **--** | **0.0%** | **0.0%** |
| **Total loans and advances to customers excluding IFRS value adjustments** | **50,835** | **49,867** | **50,477** | **49,490** | **64** | **59** | **92** | **85** | **202** | **233** | **0.7%** | **0.8%** |
| IFRS value adjustments[2] | -1,353 | 810 | -- | -- | -- | -- | -- | -- | -- | -- | | |
| **Total loans and advances to customers** | **49,482** | **50,677** | **50,477** | **49,490** | **64** | **59** | **92** | **85** | **202** | **233** | | |

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

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

# Non-financial risks

## Agile transition in the Risk organisation
De Volksbank has adopted an agile way of working. In this context, the bank set up a dedicated first line Risk Hub and a second line Risk Center of Expertise. Roles and responsibilities were reallocated. We are currently conducting an investigation to determine if the bank's risk-related topics are correctly covered. The results will be available in the second half of 2022.

## Operational risk
In de Volksbank's risk taxonomy, Operational risk contains several sub categories, such as People risk, IT risk and Reporting risk. Listed below are the most important topics at present:

### People risk
De Volksbank implemented the agile way of working and organisational structure in the first half of 2022. During the transition, the risk of key talent outflow was closely monitored by a dedicated Project Team, HR and the Executive Committee (ExCo).
At the end of March, the last Covid-restrictions were lifted in the Netherlands and also at de Volksbank. Due to Omicron infections however, the level of sickness absence was up in the first six months of 2022. The day-to-day business was not affected, however.

### IT risk
De Volksbank runs several IT programmes (launched in 2021) to further strengthen its IT landscape and organisation, to improve its level of IT control and the ability to recover from disruptions.
At the top of the list of concerns are cyber attacks and the required cyber security. De Volksbank continues to strengthen industry-accepted security measures in order to protect customers, the organisation and other stakeholders from cyber threats. Over the past few months, we identified a number of cyber threats; they were duly dealt with, causing no or minor damage.

### Reporting risk
De Volksbank's strategic programme (entitled *Deltawerken*) to set up a robust data processing infrastructure for its reporting processes has been ended. Remaining deliverables and implementation tasks have been transferred to the Finance Function.
We are also in the process of executing a programme to improve the quality of our financial key controls. The name of this programme is Path to Green.
De Volksbank regulary reports to the ECB on the status and progress of both programmes.

The supervisory authority has performed several reviews on the set-up, implementation and use of (credit risk) models and, the new data warehouse, which was implemented as per year-end 2021. Recommendations and obligations following from these reviews are given the highest priority. Until now, the new data warehouse has not been approved by the supervisory authority for use in external RWA calculations. As a consequence, de Volksbank has maintained an additional RWA amount due to an Article 3 CRR add-on. For more information, please refer to the Section Capital Management.

## Compliance risk
Looking back on the first six months of 2022, the implications of the Russia-Ukraine war took up a great deal of the Compliance Function's attention, on top of its planned activities. In other compliance risk areas, we note the following important updates.

### AML/CFT: Progress on the Customer Integrity Improvement Plan
In 2022, de Volksbank continued to step up investments in the Know Your Customer (KYC) domain, in relation to both staff and systems. The organisation is implementing an overarching improvement programme that addresses i.a. shortcomings as concluded by DNB. However, de Volksbank suffered some delay in fulfilling this improvement plan. Progress on this matter is critical in the upcoming periods. Therefore, and because of the rapid developments in laws and regulations and staffing challenges, de Volksbank is making additional investments in the area of customer integrity.

### Sanctions imposed on Russia and Belarus
De Volksbank has a policy in place to carry out restrictive measures (sanctions) reflecting the bank's very low risk appetite. In response to recent sanctions, de Volksbank no longer carries out transactions to Russia and incoming transactions are assessed on a case-by-case basis. Transactions with Belarus and the regions Donetsk and Luhansk are assessed on a case-by-case basis. If a risk-based assessment gives reason to do so, de Volksbank may decide not to carry out

the transaction. De Volksbank has measures in place to comply with the deposit cap for Russian and Belarusian nationals.

### Transition to an agile organisation

As far as de Volksbank's transition to an agile organisation is concerned, the Compliance Function has made observations regarding the allocation of responsibilities in the new organisational set-up. Several action points were formulated and assigned to senior management.

### General Data Protection Regulation (GDPR)

Following a decision by the European Court of Justice, the EU has issued mandatory guidance on conducting so-called Transfer Impact Assessments (TIAs) on supplier contracts as from mid-2021. De Volksbank is making continued efforts to comply with the consequences of this ruling. De Volksbank prepared a phased plan and drafted a TIA template. In the first quarter of 2022, a multidisciplinary working group started the roll-out of this plan.
In addition, we continue to make efforts to bring our data warehouse into compliance with the GDPR. Other GDPR improvement areas addressed by a new privacy team concern the execution of the Data Protection Impact Assessment (DPIA), a current Records of Processing Activities (RoPA) and timely data cleaning.

## Model risk

Model risk is the risk of making decisions based on inadequate or erroneous model output, caused by improper implementation, application or interpretation of the models.
In accordance with regulatory requirements, de Volksbank set up a programme for the validation of the model currently in use for regulatory capital calculations. This programme entails the validation of the model implementation in the new bank-wide data warehouse and the out-of-time model performance. Completion of the annual validation of the active model version is scheduled for the second half of 2022. Furthermore, an out-of-time model performance validation was performed for the new regulatory model, the successor of the current model version.

The IFRS 9 model for the residential mortgage portfolio is currently being redeveloped so as to further improve the model. This updated version will be subject to a validation in the second half of 2022, in line with the annual validation frequency of this model.

We have also taken the first steps in the transition from a focus on model validation to a more comprehensive model risk management approach. Expansion of the scope will go hand in hand with a more efficient use of resources in assessing and mitigating model risk, in accordance with the bank-wide agile transition.

## Sustainability risk

In the first half of 2022, de Volksbank analysed the results of the thematic ESG risk assessment that was carried out in 2021. We will draft an action plan to meet the expectations of the ECB guidance on climate-related and environmental risks and further integrate sustainability risk into the management cycles of our risk types. The ECB also launched a climate risk stress test. In this case, de Volksbank was not required to perform its own stress test; the ECB will provide feedback to banks in order to integrate climate risk in their internal frameworks. The stress test in question focuses on banks' vulnerability to extreme weather events and energy transition scenarios.

# Capital management

## Capitalisation

### Capitalisation

| in € millions | 30-6-2022 | 31-12-2021 | 30-6-2021 |
|---|---|---|---|
| Total equity | 3,675 | 3,486 | 3,424 |
| Non-eligible interim profits | -95 | -124 | -94 |
| **Total equity for CRD IV purposes** | **3,580** | **3,362** | **3,330** |
| Cashflow hedge reserve | -18 | -19 | -20 |
| Other prudential adjustments | -4 | -3 | -3 |
| **Total prudential filters** | **-22** | **-22** | **-23** |
| Intangible assets | -6 | -6 | -- |
| IRB shortfall[1] | -52 | -74 | -- |
| Additional deductions of CET1 capital due to Article 3 CRR | -100 | -78 | -113 |
| **Total capital deductions** | **-158** | **-158** | **-113** |
| **Total regulatory adjustments to total equity** | **-180** | **-180** | **-136** |
| Additional Tier 1 capital | -298 | | |
| **CRD IV CET1 capital** | **3,102** | **3,182** | **3,194** |
| Additional Tier 1 capital | 298 | -- | -- |
| **Tier 1 capital** | **3,400** | **3,182** | **3,194** |
| Eligible Tier 2 | 500 | 500 | 500 |
| IRB excess[1] | -- | -- | 19 |
| **Tier 2 capital** | **500** | **500** | **519** |
| **Total capital** | **3,900** | **3,682** | **3,713** |
| **Risk-weighted assets** | **14,924** | **13,993** | **11,279** |
| Risk exposure as defined by the CRR | 73,418 | 62,206 | 62,647 |
| **CET1 ratio[2]** | **20.8%** | **22.7%** | **28.3%** |
| Tier 1 ratio | 22.8% | 22.7% | 28.3% |
| Total capital ratio | 26.1% | 26.3% | 32.9% |
| Leverage ratio[3] | 4.6% | 5.1% | 5.1% |

1 The IRB shortfall/excess is the difference between the expected loss under the CRR/CRD IV directives and the IFRS provision for the retail mortgage portfolio.
2 CRD IV CET1 Capital / Risk-weighted assets.
3 CRD IV CET1 Capital / Risk exposure as defined by the CRR.

De Volksbank's CET1 capital ratio decreased to 20.8%, from 22.7% at year-end 2021, primarily due to an increase in risk weighted assets (RWA). The CET1 capital ratio remained well above our target of at least 19.0%.

In the first half of 2022, total equity increased by € 189 million to € 3,675 million. On the one hand, total equity decreased as a result of the 2021 dividend declaration of € 97 million and a decrease of other comprehensive income[3] by € 107 million. On the other hand, total equity increased as a result of the € 95 million net profit for the first half of 2022 and the successful execution of € 298 million in green perpetual callable Additional Tier 1 (AT1) capital securities with the first reset date in 2027.

To determine total equity for CRD IV purposes, non-eligible interim profits are deducted. After profit appropriation by the General Meeting of Shareholders in April 2022, € 27 million has been added to the CET1 capital from the non-eligible (interim) profits as at year-end 2021 of € 124 million, after deduction of € 97 million allocated for dividend. The interim profit not yet eligible as CRD IV equity, i.e. € 95 million, is the full net profit for the first half of 2022.

To determine the CET1 capital, total equity for CRD IV purposes is adjusted for outstanding AT1 capital. It is also subjected to a number of regulatory adjustments. These regulatory adjustments amounted to € 180 million negative at the end of June 2022 (year-end 2021: € 180 million negative) and consisted mainly of a deduction of € 52 million related to the IRB shortfall resulting from our Advanced Internal Ratings Based (AIRB) model calculations and a deduction of € 100 million due to a temporary and voluntary Article 3 CRR deduction. The Article 3 CRR deduction as from year-end 2021 is mainly related to a pending supervisory examination on the

3 Other comprehensive income reflects the market value change on the financial instruments in the Hold to Collect and Sell portfolio.

implementation of a new data warehouse. Awaiting further formal approval, de Volksbank added extra conservatism to the CET1 capital amount and deducted an amount of € 77 million. An additional € 23 million was deducted as a prudential backstop following the ECB's guidelines on non-performing exposures (NPEs). On balance, the CRD IV CET1 capital decreased by € 80 million to € 3,102 million.

### Risk-weighted assets (RWA)

| in € millions | 30-6-2022 | 31-12-2021 | 30-6-2021 |
|---|---|---|---|
| | CRD IV | CRD IV | CRD IV |
| Credit risk - Internal ratings based (IRB approach) | 5,947 | 6,240 | 5,682 |
| Credit risk - standardised approach (SA approach) | 4,338 | 3,261 | 2,817 |
| Securitisations | 12 | 20 | 19 |
| Operational risk | 1,392 | 1,392 | 1,451 |
| Market risk | -- | -- | -- |
| Credit Valuation Adjustment (CVA) | 56 | 75 | 96 |
| Additional risk exposure amounts due to Article 3 CRR | 3,179 | 3,005 | 1,214 |
| **Total RWA** | **14,924** | **13,993** | **11,279** |

In the first half of 2022, total RWA increased by € 931 million to € 14.9 billion. RWA for the credit risk of the residential mortgage portfolio, calculated according to the Internal Rating Based (IRB) approach, decreased by € 293 million due to the continued improvement of our customers' average credit quality. The average risk-weighting of residential mortgages declined to 11.9%, from 12.6% at year-end 2021.

RWA for credit risk calculated according to the Standardised Approach (SA) increased by € 1.1billion, largely related to the increased risk-weighted short-term exposures to other financial institutions.

In 2021, de Volksbank has reassessed its capital treatment policy for exposures to Swiss Cantons and the Swiss cantonal banks guaranteed by Swiss Cantons. As a result of this reassessment the risk weight of these assets has been adjusted from 0% to 20% as per 31 December 2021. In August 2022, de Volksbank received an information request from the ECB, which includes information on the impact on the capital ratios for earlier reporting periods.

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

The additional RWA amount of € 3.2 billion due to a temporary and voluntary Article 3 CRR add-on as from year-end 2021 is related to the new data warehouse, which needs supervisory review before actual use in external RWA calculations. Awaiting further formal approval, de Volksbank added extra conservatism to the amount of RWA.

## Leverage ratio

The leverage ratio decreased to 4.6%, from 5.1% at year-end 2021, because the € 11.2 billion increase of the leverage ratio denominator had a larger effect than the € 218 million increase in Tier 1 capital. The denominator is the risk exposure amount as defined by the Capital Requirements Regulation (CRR). From September 2020 until 1 April 2022, the ECB allowed banks to exclude certain central bank exposures from the denominators of their leverage ratios as a temporary relief measure. The expiration of this measure explains the strong increase in the leverage ratio denominator in the first half of 2022.

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

The 4.6% leverage ratio is well above the regulatory requirement of 3.0%[4] and our target of at least 4.5%.

[4] This leverage ratio requirement became binding with effect from 28 June 2021.

## Developments in capital requirements

### SREP
With effect from 1 March 2022, de Volksbank is required to meet a minimum total Overall Capital Requirement (OCR) of 14.5%, of which at least 9.70% is to be composed of CET1 capital. This obligation stems from the Supervisory Review and Evaluation Process (SREP) performed by the ECB in 2021.

### Basel IV
In late 2017, the Basel Committee on Banking Supervision (BCBS) presented the agreement on the completion of the Basel III capital framework, also known as Basel IV. The next step is the translation of Basel IV into European laws and regulations, which may have an effect on required capital levels. We will adjust our capital planning if necessary.

As at the end of June 2022, we estimate that according to fully phased-in Basel IV our RWA would be similar to total RWA under current regulations. The EC proposal stipulates[5] that the output floor will phase in from 50% in 2025 to 72.5% in 2030. We expect the anticipated changes in internal modelling approaches and SA for operational risk under Basel IV to have a limited effect on our RWA.

### Minimum floor on risk weighting of mortgage loan portfolios
In anticipation of the implementation of Basel IV, DNB announced in October 2019 that it would increase the minimum floor on the risk weighting of the mortgage loan portfolios of Dutch banks using internal risk models, with the exception of mortgages (partially) that are covered by the National Mortgage Guarantee (NHG) scheme. In October 2021, DNB announced that the regulation would effectively come into force as of 1 January 2022. The measure would initially expire on 1 December 2022, but on 8 July 2022, DNB decided to extend the measure until 1 December 2024. However, given the RWA increase as a result of our AIRB model update and the Article 3 CRR add-on, which is fully related to RWA for residential mortgages, this measure has no impact on de Volksbank as at the end of June 2022.

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

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

On 24 March 2022, the *NRA* updated both the risk-weighted MREL requirements applicable as from 2022 and the MREL requirements to be met as from 1 January 2024. The updated calibration of the MREL-LRE requirements as from 2024 was inflated due to the temporary ECB relief measure to exclude certain central bank reserves from the LRE. Given the expiration of this measure on 1 April 2022, the EU's Single Resolution Board (SRB) will recalibrate the final MREL requirements on the basis of the LRE including central bank reserves in the course of 2022 to ensure adjustment of the final MREL requirements before 1 January 2024. In the meantime, the SRB has provided pro forma minimum final MREL requirements amounting to 7.82% based on the calibration that would have applied in the absence of the temporary ECB relief measure.

As of 1 January 2024, the final MREL-LRE requirement is to be fully met with subordinated instruments. The MREL requirement based on RWA amounts to 20.41%, excluding the Combined Buffer Requirement. The non-risk-weighted MREL requirements are more restrictive for de Volksbank than the risk-weighted MREL requirements.

De Volksbank's capital planning is based on meeting the binding MREL subordination target as from January 2024, as well as the binding intermediate MREL subordination target as from 1 January 2022.

[5] Banking Package 2021 as published by the European Commission on 27 October 2021.

Based on its current capital position, de Volksbank expects to issue senior non-preferred (SNP) notes totalling € 0.7 billion to € 1.3 billion up to 2024. This is in addition to € 1.5 billion SNP debt instruments already issued.

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

Total capital and eligible liabilities rose by € 175 million to € 6,169 million. Besides the issuance of € 0.3 billion AT1 capital, this is also the result of de Volksbank successfully issuing € 0.5 billion in green SNP debt with a 5-year (non-call 4 year) maturity.

This increase was partly offset by € 543 million of senior unsecured debt becoming non-eligible. The total LRE rose by € 11.2 billion to € 73.4 billion in the first half of 2022, primarily due to the expiry of the temporary ECB relief measure of excluding certain central bank exposures from their leverage ratios denominators.

## MREL

| in € millions | 30-6-2022 | 31-12-2021 | 30-6-2021 |
|---|---|---|---|
| CET1 capital | 3,102 | 3,182 | 3,194 |
| Additional Tier 1 capital | 298 | | |
| Tier 2 capital | 500 | 500 | 519 |
| **Total capital** | **3,900** | **3,682** | **3,713** |
| Senior non-preferred (SNP) liabilities with remaining maturity >1 year | 1,500 | 1,000 | 1,000 |
| Other eligible unsec. liabilities with remaining maturity > 1 year | 769 | 1,312 | 1,632 |
| **Total capital including other eligible liabilities** | **6,169** | **5,994** | **6,345** |
| **MREL BRRD2 EXPOSURE MEASURES**[1] | | | |
| Leverage ratio exposure (LRE) | 73,418 | 62,206 | 62,647 |
| Risk-weighted assets | 14,924 | 13,993 | 11,279 |
| **MREL LRE** | | | |
| MREL (Total capital and eligible SNP liabilities) (LRE) | 7.4% | 7.5% | 7.5% |
| MREL (Total capital including other eligible liabilities) (LRE) | 8.4% | 9.6% | 10.1% |
| **MREL RWA** | | | |
| MREL (Total capital and eligible SNP liabilities) (RWA) | 36.2% | 33.5% | 41.8% |
| MREL (Total capital including other eligible liabilities) (RWA) | 41.3% | 42.8% | 56.3% |

1 EBA reporting framework 3.0 comprises amendments linked to the CRR2/CRD5, BRRD2 and IFR and applies as from 30/06/2021. Therefore, MREL ratios are also shown in accordance with the amended BRRD2.

At the end of June 2022, the non-risk-weighted MREL ratio based on the LRE was equal to 8.4% (year-end 2021: 9.6%), including Total capital and all other unsecured liabilities eligible for MREL under the current BRRD. Including only Total capital and eligible SNP liabilities, the non-risk-weighted MREL ratio based on the LRE equalled 7.4%.

The risk-weighted MREL ratio, based on Total capital and SNP eligible liabilities (€ 5,400 million in total), stood at 36.2% (year-end 2021: 33.5%).

### Dividend

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

# Liquidity and funding

## Liquidity

In the first half of 2022, the liquidity position remained substantially higher than de Volksbank's internal targets and regulatory requirements.

The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) remained well above the regulatory minimum of 100%. As at 30 June 2022, the LCR stood at 359% (year-end 2021: 324%) and the NSFR at 179% (year-end 2021: 176%).

### Key liquidity indicators

| | 30-6-2022 | 31-12-2021 | 30-06-2021 |
|---|---|---|---|
| LCR | 359% | 324% | 261% |
| NSFR | 179% | 176% | 171% |
| Loan-to-Deposit ratio[1] | 86% | 86% | 86% |
| Liquidity position (in € millions) | 18,511 | 22,570 | 20,676 |

1 For the measurement methodology of this KPI reference is made to the section Reconciliation of alternative performance measures on page 42 of this report.

The Loan-to-Deposit (LtD) ratio - i.e. the ratio between loans outstanding and deposits attracted - stood at 86%, equalling the ratio at year-end 2021. The reason for this is that the loans and deposits increased by comparable amounts.

The liquidity position amounted to € 18.5 billion as at 30 June 2022 (year-end 2021: € 22.6 billion).

### Liquidity position[1]

| in € millions | 30-6-2022 | 31-12-2021 | 30-6-2021 |
|---|---|---|---|
| Central bank reserves | 9,502 | 10,707 | 8,391 |
| Sovereigns | 671 | 1,780 | 1,986 |
| Regional/local governments and supranationals | 1,631 | 1,567 | 1,512 |
| Other liquid assets | 850 | 618 | 544 |
| Eligible retained RMBS | 5,857 | 7,898 | 8,243 |
| **Liquidity position** | **18,511** | **22,570** | **20,676** |

1 In the second half of 2021, the liquidity position has replaced the previous indicators cash position and liquidity buffer to better reflect directly available liquidity instead of including a 10-day in- and outflow horizon. Comparative figures have been adjusted accordingly.

In the first half of 2022, loans increased from € 49.5 billion to € 50.2 billion and deposits from € 57.6 billion to € 58.2 billion. Apart from lending and deposit growth, cash flows in the first half of 2022 mainly resulted from capital market funding developments, the redemption of € 0.8 billion TLTRO-III ECB funding and a € 2.0 billion decrease in the net cash collateral position related to derivative positions driven by an increase in the interest rate curve.

Although cash inflows were substantially higher than cash outflows in the first half of 2022, central bank reserves decreased from € 10.7 billion to € 9.5 billion. This was because we invested more available liquidity in the money market. As at 30 June 2022, € 6.7 billion in assets had been invested for cash management purposes (year-end 2021: € 4.0 billion), of which € 3.3 billion was held at Swiss banks (year-end 2021: € 2.1 billion) and therefore was not included in the central bank reserves.

The liquidity value of bonds in the DNB collateral pool amounted to € 9.0 billion as at 30 June 2022 (year-end 2021: € 11.9 billion), of which:

- The liquidity value of eligible retained RMBS decreased to € 5.9 billion (year-end 2021: € 7.9 billion). This mainly due to the call and non-replacement of the Lowland 4 transaction, partly offset by a release of encumbrance after the redemption of the TLTRO-III funding from the ECB.

- The value of other liquid assets in the liquidity position decreased by € 0.8 billion, predominantly because a higher amount of sovereign bonds was not registered in the DNB collateral pool as at 30 June 2022 in comparison with year-end 2021. These sovereign bonds were ringfenced for other purposes, such as possible repo transactions.

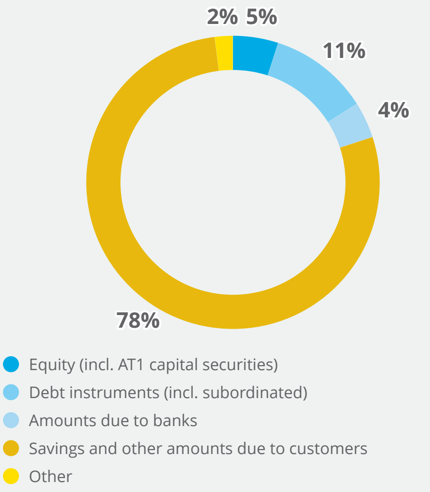
## Funding

Retail savings are de Volksbank's main source of funding. Through our brands, we attract term deposits, demand deposits and current account balances from retail customers. We also attract savings deposits and current account balances from SME customers. In the first half of 2022, total customer deposits rose to € 58.2 billion, from € 57.6 billion at year-end 2021.

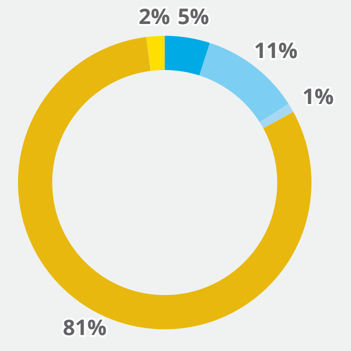
We also attract funding from the capital markets. For regulatory and funding diversification reasons, this funding is attracted through various funding instruments, with different terms and investor types spread over regions.

The diagrams below provide an overview of the book value-based composition of de Volksbank's total liabilities as at 30 June 2022 and year-end 2021.

**Equity and liability mix as at 30 June 2022: € 74.9 billion**




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




Despite the increase in deposits, the percentage of our liabilities that is made up of savings and other amounts due to customers decreased to 78% (year-end 2021: 81%), mainly due to an increase in amounts due to banks driven by a rise in cash collateral received in relation to derivative positions.

In the first half of 2022, de Volksbank successfully executed a number of capital market funding transactions to strengthen its capital and MREL position i.e.:
- € 0.3 billion in green perpetual Additional Tier 1 capital securities with a first call date in 2027;
- € 0.5 billion in green senior non-preferred debt with a 5-year (non-call 4-year) maturity.

To manage balance sheet risks, we also issued € 0.2 billion in covered bonds with maturities of at least 16 years.

As capital market funding redemptions in the first half of 2022 were limited at € 0.3 billion, the capital market funding increased from € 8.2 billion to € 8.9 billion.

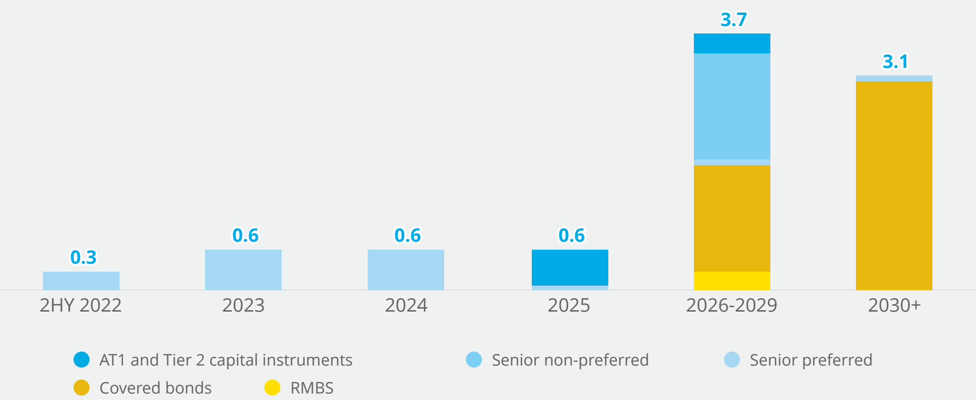
## Capital market funding mix (nominal)

| in € millions | 30-6-2022 | % of total | 31-12-2021 | % of total |
|---|---|---|---|---|
| AT1 and Tier 2 capital instruments | 800 | 9% | 500 | 6% |
| *- of which green bonds* | *800* | | *500* | |
| Senior non-preferred | 1,500 | 17% | 1,000 | 12% |
| *- of which green bonds* | *1,500* | | *1,000* | |
| Senior preferred | 1,753 | 19% | 1,980 | 24% |
| *- of which green bonds* | *800* | | *1,000* | |
| Covered bonds | 4,548 | 52% | 4,368 | 54% |
| RMBS | 303 | 3% | 344 | 4% |
| **Total capital market funding** | **8,904** | | **8,192** | |
| *- of which green bonds* | *3,100* | | *2,500* | |

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. In the graph we apply the assumption that this funding will be redeemed at the first possible date. In the second half of 2022, we plan to issue covered bonds to manage balance sheet risks.

## Capital market funding maturities

in € billions



## Responsibility statement

Pursuant to section 5:25d, paragraph 2(c), of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, *Wft*), the members of the Board of Directors state that to the best of their knowledge:

- The condensed consolidated interim financial statements, for the six-month period ending on 30 June 2022, give a true and fair view of the assets, liabilities, size and composition of equity, financial position and profit or loss of de Volksbank N.V. and the companies included in the consolidation; and
- The Interim Financial Report, for the six-month period ending on 30 June 2022, gives a true and fair view of the information that is required pursuant to section 5:25d, paragraphs 8 and 9, of the Dutch Financial Supervision Act of de Volksbank N.V. and of the companies included in the consolidation.

Utrecht, 11 August 2022

### Executive Board

Martijn Gribnau (Chief Executive Officer and Chairman)

André Haag (Chief Financial Officer)

Jeroen Dijst (Chief Risk Officer)

Marinka van der Meer (Chief Customer Officer)

# Condensed consolidated interim financial statements

## Consolidated statement of financial position

| Before result appropriation and in € millions | 30-6-2022 | 31-12-2021 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | 9,111 | 10,305 |
| Derivatives | 2,839 | 591 |
| Investments | 5,427 | 5,638 |
| Loans and advances to banks | 7,444 | 4,527 |
| Loans and advances to customers | 49,363 | 50,570 |
| Tangible and intangible assets | 87 | 93 |
| Tax assets | 82 | 39 |
| Other assets | 505 | 318 |
| **Total assets** | **74,858** | **72,081** |
| **EQUITY AND LIABILITIES** | | |
| Derivatives | 1,037 | 1,013 |
| Amounts due to banks | 2,711 | 1,059 |
| Amounts due to customers | 58,722 | 58,128 |
| *- of which savings* | *45,744* | *45,646* |
| *- of which other amounts due to customers* | *12,978* | *12,482* |
| Debt certificates | 7,588 | 7,402 |
| Subordinated debts | 504 | 500 |
| Provisions | 85 | 102 |
| Tax liabilities | 7 | 9 |
| Other liabilities | 529 | 382 |
| **Total liabilities** | **71,183** | **68,595** |
| | | |
| Share capital | 381 | 381 |
| Other reserves | 2,901 | 2,943 |
| Net profit for the period | 95 | 162 |
| AT1 capital securities | 298 | - |
| **Total equity** | **3,675** | **3,486** |
| **Total equity and liabilities** | **74,858** | **72,081** |

# Consolidated income statement

| in € millions | 1st half 2022 | 1st half 2021 |
|---|---|---|
| **INCOME** | | |
| Interest income | 509 | 525 |
| Interest expense | 137 | 133 |
| **Net interest income** | **372** | **392** |
| Fee and commission income | 75 | 66 |
| Fee and commission expenses | 51 | 46 |
| **Net fee and commission income** | **24** | **20** |
| Investment income | -2 | -2 |
| Other result on financial instruments | 69 | 7 |
| Other operating income | -- | -- |
| **Total income** | **463** | **417** |
| **EXPENSES** | | |
| Staff costs | 195 | 198 |
| Depreciation and amortisation of tangible and intangible assets | 10 | 11 |
| Other operating expenses | 118 | 113 |
| **Total operating expenses** | **323** | **322** |
| Impairment charges financial assets | 11 | -31 |
| **Total expenses** | **334** | **291** |
| **Result before taxation** | **129** | **126** |
| Taxation | 34 | 32 |
| **Net result for the period** | **95** | **94** |

# Consolidated statement of comprehensive income

## Other comprehensive income

| in € millions | 1st half 2022 | 1st half 2021 |
|---|---|---|
| **ITEMS NOT SUBSEQUENTLY BE RECLASSIFIED TO THE INCOME STATEMENT** | | |
| Other changes in comprehensive income | -- | -1 |
| **Total items never reclassified to the income statement** | **--** | **-1** |
| **ITEMS SUBSEQUENTLY RECLASSIFIED TO THE INCOME STATEMENT** | | |
| Change in cashflow hedge reserve | -2 | -2 |
| Change in fair value reserve | -105 | -13 |
| **Total items subsequently reclassified to the income statement** | **-107** | **-15** |
| **Other comprehensive income (after taxation)** | **-107** | **-16** |

# Total comprehensive income attributable to the shareholder

## Total comprehensive income

| in € millions | 1st half 2022 | 1st half 2021 |
|---|---|---|
| Net result | 95 | 94 |
| Other comprehensive income (after taxation) | -107 | -16 |
| **Total comprehensive income** | **-12** | **78** |

# Condensed consolidated statement of changes in total equity

## Consolidated statement of changes in total equity

| in € millions | Issued share capital[1] | Share premium reserve | Cashflow hedge reserve | Fair value reserve | Other reserves | Net result for the period | AT1 capital securities | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2020** | **381** | **3,537** | **22** | **29** | **-693** | **174** | **--** | **3,450** |
| **Transfer of 2020 net result** | **--** | **--** | **--** | **--** | **70** | **-70** | **--** | **--** |
| Other comprehensive income | -- | -- | -2 | -13 | -1 | -- | -- | -16 |
| Net result for the period | -- | -- | -- | -- | -- | 94 | -- | 94 |
| **Total result for the period** | **--** | **--** | **-2** | **-13** | **-1** | **94** | **--** | **78** |
| Transactions with shareholder | -- | -- | -- | -- | -- | -104 | | -104 |
| **Total changes for the period** | **--** | **--** | **-2** | **-13** | **69** | **-80** | **--** | **-26** |
| **Balance as at 30 June 2021** | **381** | **3,537** | **20** | **16** | **-624** | **94** | **--** | **3,424** |
| Other comprehensive income | -- | -- | -1 | -5 | -- | -- | -- | -6 |
| Net result for the period | -- | -- | -- | -- | -- | 68 | -- | 68 |
| **Total result for the period** | **--** | **--** | **-1** | **-5** | **--** | **68** | **--** | **62** |
| Transactions with shareholder | -- | -- | -- | -- | -- | -- | -- | -- |
| **Total changes for the period** | **--** | **--** | **-1** | **-5** | **--** | **68** | **--** | **62** |
| **Balance as at 31 December 2021** | **381** | **3,537** | **19** | **11** | **-624** | **162** | **--** | **3,486** |
| **Transfer of 2021 net result** | **--** | **--** | **--** | **--** | **65** | **-65** | | **--** |
| Other comprehensive income | -- | -- | -2 | -105 | -- | -- | | -107 |
| Net result for the period | -- | -- | -- | -- | -- | 95 | | 95 |
| **Total result for the period** | **--** | **--** | **-2** | **-105** | **--** | **95** | **--** | **-12** |
| Increase of capital | -- | -- | -- | -- | -- | | 298 | 298 |
| Transactions with shareholder | -- | -- | -- | -- | -- | -97 | | -97 |
| **Total changes for the period** | **--** | **--** | **-2** | **-105** | **65** | **-67** | **298** | **189** |
| **Balance as at 30 June 2022** | **381** | **3,537** | **17** | **-94** | **-559** | **95** | **298** | **3,675** |

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

# Condensed consolidated cashflow statement

| in € millions | 1st half 2022 | 1st half 2021 |
|---|---|---|
| **CASHFLOW FROM OPERATING ACTIVITIES** | | |
| Result before taxation | 129 | 126 |
| **ADJUSTMENTS FOR** | | |
| Depreciation and amortisation of tangible and intangible assets | 10 | 12 |
| Impairment charges and reversals | 11 | -31 |
| **CHANGES IN OPERATING ASSETS AND LIABILITIES** | | |
| Change in advances to customers | 1,207 | 413 |
| Change in liabilities to customers | 496 | 216 |
| Change in derivatives assets | -2,248 | 276 |
| Change in derivatives liabilities | 24 | -907 |
| Change in advances to banks | -2,917 | 231 |
| Change in liabilities to banks | 1,652 | 230 |
| Change in savings | 98 | 2,578 |
| Change in trading portfolio | -- | -- |
| Other adjustments and changes in operating activities | 144 | -38 |
| **Net cashflow from operating activities** | **-1,394** | **3,106** |
| **Net cashflow from investment activities** | **-208** | **-460** |
| **Net cashflow from financing activities** | **408** | **718** |
| *- of which issue of AT1 capital securities* | *298* | -- |
| **Net decrease of cash and cash equivalents** | **-1,194** | **3,364** |
| Cash and cash equivalents as at 1 January | 10,305 | 4,672 |
| Change in cash and cash equivalents | -1,194 | 3,364 |
| **Cash and cash equivalents as at 30 June** | **9,111** | **8,036** |

# Notes to the condensed consolidated interim financial statements

## Accounting principles

### General 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).

The condensed consolidated interim financial statements of de Volksbank comprise financial information of all entities controlled by de Volksbank, including its interests in associates. These condensed consolidated interim financial statements were prepared by the Board of Directors and approved by the Supervisory Board on 11 August 2022.

### Basis of preparation

### Statement of IFRS compliance
De Volksbank prepares the condensed consolidated interim financial statements in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, as adopted by the European Union (EU).

### Main accounting principles for financial reporting
The accounting principles applied in the preparation of these condensed consolidated interim financial statements are consistent with the accounting principles applied in the preparation of de Volksbank's financial statements for the year ending on 31 December 2021. Changes in standards and interpretations affecting the 2022 accounting principles are described in the following sections.

### Changes in published Standards and Interpretations effective in 2022
In 2022 the following standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC), respectively, became mandatory. These were adopted by the EU and are applicable in the current financial year:

- Amendments to IFRS 3 Business Combinations;
- Amendments to IAS 16 Property, Plant and Equipment;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- Annual Improvements 2018-2020.

None of the above-mentioned amendments have a material effect on the condensed consolidated interim financial statements.

The presentation of the consolidated balance sheet and certain notes have been changed to provide additional and more relevant information or (for changes in comparative information) to better align with the current period presentation. The impact of these changes is explained in the relevant notes when significant.

### Changes in accounting estimates
De Volksbank has refined the timing of cash flows used in accounting for prepayment penalties related to interest averaging contracts. The timing of these cash flows cannot be fully derived from the contractual terms and conditions, because some of our mortgage customers will repay before the contractual end date of the mortgage due to moving to another house, etc. To take into account these behavioural aspects of customers de Volksbank uses a prepayment model. The refinement of expected cashflows, together with some minor model improvements, resulted in additional income amounting to € 12 million. The recalibration contributes to a consistent accounting of prepayment penalties related to interest averaging contracts going forward and leads to more relevant information.

## Notes to the consolidated statement of financial position and consolidated income statement

### Derivatives
Pursuant the EU Benchmark Regulation, reference rates (IBORs) for variable-interest financial instruments have been replaced by Alternative Reference Rates (ARR), except for USD Libor.

- As from 1 January 2022, EONIA ceased to be published and has been converted in the euro short-term rate (€STR).
- The calculation method for Euribor was modified in 2019, followed by authorisation under the European Union Benchmark Regulation. Market participants are, therefore, allowed to continue to use Euribor, which is expected to remain in existence as a benchmark rate for the foreseeable future.
- USD LIBOR has not been converted in risk-free rates yet. USD LIBOR will continue to be published until mid-2023. We will closely monitor the developments. As from 30 June 2022, the carrying value for USD Libor Non – derivatives financial assets amounts to € 119 million, of which € 47 million has a maturity date beyond mid-2023 and will be negotiated bilaterally with the counterparties involved.

- With respect to other bilateral derivative agreements, these are currently under negotiation with the respective counterparties.

### Loans and advances to customers and impairment charges of financial assets
We have provided disclosures on loans and advances to customers, impairment charges of financial assets and credit loss provisions under Financial results (see table Impairment charges of financial assets) and Credit risk (see text and overviews labelled Reviewed).

### Debt certificates

### Senior non-preferred debts (SNP)
In the first half of 2022, de Volksbank issued:
- € 0.5 billion in green senior non-preferred debt with a maturity of five years (non-call 4 years);

### Covered bonds
In the first half of 2022, de Volksbank issued: € 0.2 billion in covered bonds with maturities of at least 16 years.

### Redemptions and repurchases of debt certificates
In the first half of 2022, de Volksbank redeemed € 0.3 billion of bonds with original maturities of more than one year.

### Total equity
Undated, deeply subordinated, resettable, callable capital securities are classified as additional tier 1 (AT1) capital, under total equity. In June 2022, de Volksbank issued its first AT1 notes. The perpetual callable AT1 notes amount to € 298 million (nominal value: € 300 million) and have a coupon rate of 7.00% up to the first reset date on 15 December 2027.
The fair value reserve fell by € 105 million due to increased interest rates, which led to a decrease in the value of the debt securities measured at fair value through other comprehensive income.

### Contingent liabilities and commitments
There have been various rulings on the interpretations and use of variable interest clauses in revolving credits for consumer loans and mortgage products at other Dutch banks, concluding that customers may expect the interest rate on their revolving loans to remain in line with the relevant market interest rate during the term of a loan. De Volksbank has formed a provision for revolving consumer credits. Overdraw facilities and credit cards are subject to further analysis. At this stage, we do not have a present obligation for overdraw facilities and credit cards.

### Update on legal proceedings
De Volksbank and its subsidiaries are, and may from time to time become involved in legal, regulatory and/or arbitration proceedings that relate to claims by and against the bank, ensuing from its normal business operations. An update of the most important proceedings is given below.

In the former CFO's proceedings against de Volksbank, the court rendered in appeal on 30 May 2022 that the former CFO's agreement with the bank had been validly terminated, but that the dismissal as CFO took place after he reported sick. De Volksbank is ordered to pay a compensation to the former CFO. Both parties have the right to appeal within 3 months after delivery of the judgement.

In the inquiry ordered by the Enterprise Chamber into the management and course of events at SRH and de Volksbank for the period from 1 January 2006 to 1 February 2013, the investigators' final report was published on 27 July 2021. On 27 September 2021, VEB started proceedings before the Enterprise Chamber to establish mismanagement (*wanbeleid*) with regard to SRH and de Volksbank. All parties have made their statements. The Enterprise Chamber's judgement is expected on 29 September 2022.
At this stage, de Volksbank does not have a present obligation.

As fas as other ongoing legal proceedings are concerned, there are no noteworthy developments.

### Related parties
As part of its ordinary business operations, de Volksbank maintains various forms of ordinary business relationships with related parties. Related parties of de Volksbank could be associated companies, joint ventures, SNS REAAL Pension Fund, Stichting administratiekantoor beheer financiële instellingen (NLFI), the Dutch State, and senior executives and their close family members. Transactions with these related parties mainly concern day-to-day matters in the field of banking, taxation and other administration.

Transactions with related parties have been conducted under normal market terms and conditions ('at arm's length').

### Post balance sheet events
There have been no material post balance sheet events that could require disclosures or adjustments to the Interim Financial Report 2022.

### Investment income

Investment income amounted to € 2 million negative, equal to the first half of 2021. In both periods investment income consisted entirely of realised results on fixed-income investments, sold as part of asset and liability management and the optimisation of the investment portfolio.

The result of € 2 million negative consisted of € 6 million negative result of the HtCS portfolio and € 4 million positive result of the HtC portfolio. In the first half of 2022, part of the HTC portfolio was sold and the accompanied hedges were unwound, given the increased credit risk of governmental bonds.

## Fair value of financial instruments

### Fair value accounting of financial assets and liabilities

The table provides information on the fair value of the financial assets and liabilities of de Volksbank. For a number of fair value measurements estimates have been used. This table only includes financial assets and liabilities. Balance sheet items that do not meet the definition of a financial asset or liability are not included. The total of the fair value presented below does not reflect the underlying value of de Volksbank and should, therefore, not be interpreted as such.

The fair values represent the amounts at which the financial instruments could have been sold or transferred at balance sheet date between market parties in an orderly transaction. The fair value of financial assets and liabilities is determined on the basis of quoted prices where available. Such quoted prices are primarily derived from transactions prices for listed instruments. If quoted prices are not available, various valuation techniques have been used to measure the fair value of these instruments. Parameters used in such valuation techniques may be subjective and are based on various assumptions, for instance certain discount rates and the timing and size of expected future cashflows. The degree of subjectivity affects the allocation in the fair value hierarchy, which is discussed in the 'Hierarchy in determining the fair value of financial instruments' section. Wherever possible and available, the valuation techniques make use of observable inputs in relevant markets. Changes in the assumptions can significantly influence the estimated fair values. The main assumptions for each balance sheet item are explained in the section below. De Volksbank determines the fair value hierarchy for all financial instruments at any reporting moment.

### Hierarchy in financial instruments as at 30 June 2022

| in € millions | Book value | Level 1 | Level 2 | Level 3 | Total fair value |
|---|---|---|---|---|---|
| **FINANCIAL ASSETS MEASURED AT FAIR VALUE** | | | | | |
| Derivatives | 2,839 | -- | 2,834 | 5 | 2,839 |
| Investments - fair value through OCI | 2,590 | 2,583 | -- | 7 | 2,590 |
| Investments - fair value through P&L | 8 | -- | -- | 8 | 8 |
| **FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE** | | | | | |
| Cash and cash equivalents | 9,111 | -- | -- | -- | 9,111 |
| Investments - amortised cost | 2,829 | 2,746 | 59 | 8 | 2,813 |
| Loans and advances to banks | 7,444 | -- | -- | -- | 7,444 |
| Loans and advances to customers | 49,363 | -- | -- | 46,097 | 46,097 |
| Other assets | 505 | -- | -- | -- | 505 |
| **Total financial assets** | **74,689** | **5,329** | **2,893** | **46,125** | **71,407** |
| **FINANCIAL LIABILITIES MEASURED AT FAIR VALUE** | | | | | |
| Derivatives | 1,037 | -- | 1,032 | 5 | 1,037 |
| **FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE** | | | | | |
| Savings | 45,744 | -- | 43,803 | 2,119 | 45,922 |
| Other amounts due to customers | 12,978 | -- | 11,595 | 1,337 | 12,932 |
| Amounts due to banks | 2,711 | -- | 2,711 | -- | 2,711 |
| Debt certificates | 7,588 | -- | -- | 6,700 | 6,700 |
| Other liabilities | 529 | -- | -- | -- | 529 |
| Subordinated debts | 504 | 463 | -- | -- | 463 |
| **Total financial liabilities** | **71,091** | **463** | **59,141** | **10,161** | **70,294** |

## Hierarchy in financial instruments as at 31 December 2021

| in € millions | Book value | Level 1 | Level 2 | Level 3 | Total fair value |
|---|---|---|---|---|---|
| **FINANCIAL ASSETS MEASURED AT FAIR VALUE** | | | | | |
| Derivatives | 591 | -- | 567 | 24 | 591 |
| Investments - fair value through OCI | 2,335 | 2,330 | -- | 5 | 2,335 |
| Investments - fair value through P&L | 8 | -- | -- | 8 | 8 |
| **FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE** | | | | | |
| Cash and cash equivalents | 10,296 | -- | -- | -- | 10,296 |
| Investments - amortised cost | 3,295 | 3,229 | 90 | 8 | 3,327 |
| Loans and advances to banks | 4,527 | -- | -- | -- | 4,527 |
| Loans and advances to customers | 50,727 | -- | -- | 53,583 | 53,583 |
| Other assets | 170 | -- | -- | -- | 170 |
| **Total financial assets** | **71,949** | **5,559** | **657** | **53,628** | **74,837** |
| **FINANCIAL LIABILITIES MEASURED AT FAIR VALUE** | | | | | |
| Derivatives | 1,013 | -- | 989 | 24 | 1,013 |
| **FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE** | | | | | |
| Savings | 45,646 | -- | 43,858 | 2,148 | 46,006 |
| Other amounts due to customers | 12,482 | -- | 11,063 | 1,447 | 12,510 |
| Amounts due to banks | 1,059 | -- | 1,059 | -- | 1,059 |
| Debt certificates | 7,402 | -- | -- | 7,571 | 7,571 |
| Other liabilities | 382 | -- | -- | -- | 382 |
| Subordinated debts | 500 | 518 | -- | -- | 518 |
| **Total financial liabilities** | **68,484** | **518** | **56,969** | **11,190** | **69,059** |

### Notes to the valuation of financial assets and liabilities
The following techniques and assumptions have been used to determine the fair value of financial instruments.

### Investments
The fair values of shares are based on quoted prices in active markets or other available market data. The fair values of interest-bearing securities, excluding mortgage loans, are also based on quoted market prices or, when actively quoted market prices are not available, on the present value of expected future cashflows. These present values are based on the relevant market interest rate, taking account of the liquidity, creditworthiness and maturity of the relevant investment.

### Loans and advances to customers
The fair value of mortgages is determined based on a present value method. The yield curve used to determine the present value of expected cashflows of mortgage loans is the average of the five lowest mortgage rates in the market, adjusted for interest rates that are considered not to be representative ('teaser rates'). These rates may differ for each sub-portfolio due to differences in maturity, Loan to Value class and form of repayment. In determining the expected cashflows, any expected future early redemptions are taken into account.
The fair value of other loans and advances to customers has been determined by the present value of the expected future cashflows. Various surcharges on the yield curve were used for the calculation of the present value. In this respect, a distinction was made by type of loan and customer group to which the loan relates.

### Derivatives
The fair values of nearly all derivatives are based on observable market information, such as market rates and foreign exchange rates. To determine the fair value of instruments for which not all information is observable in the market, estimates or assumptions are used within a net discounted cashflow model or an option valuation model. In determining the fair value, the credit risk that a market participant would include in his valuation is taken into account.

### Loans and advances to banks
Given the short-term nature of the loans that are classified as loans and advances to banks, the book value is considered to be a reasonable approximation of the fair value.

### Other assets
Because of the predominantly short-term nature of other assets, the book value is considered to be a reasonable approximation of the fair value.

### Cash and cash equivalents
The book value of the cash and cash equivalents is considered to be a reasonable approximation of the fair value.

### Subordinated debt
The fair value of subordinated debt are based on quoted prices in active markets or other available market data.

### Debt certificates
The fair value of debt certificates are based on quoted prices in active markets or other available market data. When actively quoted market prices are not available , the fair value of debt certificates is estimated on the basis of the present value of the cashflows, making use of the prevailing interest rate plus a risk surcharge. The risk surcharge is based on the credit risk assumed by the market for holding such instruments issued by de Volksbank, determined by maturity and type of instrument.

### Amounts due to customers
The fair value of readily available savings and term deposits differs from the nominal value because the interest rate is not adjusted on a daily basis and because, in practice, customers leave their savings in their accounts for a longer period of time. The fair value of these deposits is calculated based on the net present value of the relevant portfolios' cashflows using a specific discount curve. For savings covered by the Deposit Guarantee Scheme (DGS), the discount curve is based on the average current rates of several Dutch market parties. De Volksbank's Funds Price-curve (FTP) was used for savings not covered by the DGS. The calculated fair value of amounts due to customers with a demand feature cannot be less than the amount payable on demand.

### Amounts due to banks
The fair value of amounts due to banks is estimated on the basis of the present value of the expected future cashflows, using the interest rate plus a risk surcharge. The risk surcharge is based on the credit risk assumed by the market for holding such instruments issued by de Volksbank, differentiated to maturity and type of instrument. The book value of any amount that is due within one month is considered to be a reasonable approximation of the fair value.

### Other liabilities
The book value of the other liabilities is considered to be a reasonable approximation of its fair value.

### Hierarchy in determining the fair value of financial instruments
A part of the financial instruments is measured in the balance sheet at fair value. In addition, the fair value of the other financial instruments is disclosed. The fair value level classification is not disclosed for financial assets and liabilities where the book value is a reasonable approximation of the fair value.

### More detailed explanation of the level classification
For financial instruments measured at fair value on the balance sheet or for which the fair value is disclosed, this fair value is classified into a level. This level depends on the parameters used to determine the fair value and provides further insight into the valuation. The levels are explained below:

### Level 1 – Fair value based on published stock prices in an active market
For all financial instruments in this valuation category, stock prices are observable and publicly available from stock exchanges, brokers or pricing institutions. In addition, these financial instruments are traded on an active market, which allows for the stock prices to accurately reflect current and regularly recurring market transactions between independent parties. The investments in this category mainly include listed shares and bonds.

### Level 2 – Fair value based on observable market data
The category includes financial instruments for which no quoted prices are available but whose fair value is determined using models where the parameters include available market information. These instruments mostly contain privately negotiated derivatives. This category also includes investments for which prices have been issued by brokers, but which are also subject to inactive markets. In that case, the available prices are largely supported and validated using market information, including market rates and actual risk surcharges related to different credit ratings and sector classifications.

### Level 3 – Fair value not based on observable market data
A significant part of the financial instruments in this category has been determined using assumptions and parameters that are not observable in the market, such as assumed default rates belonging to certain ratings. The level 3 valuations of investments (shares) are based on quotes from illiquid markets. The derivatives in level 3 are related to some mortgage securitisations and the valuation is partly dependent on the underlying mortgage portfolios and movements in risk spreads.

The financial instrument is placed in or moved to a certain level on the basis of the aforementioned definitions.

## Change in level 3 financial instruments

### Change in level 3 financial instruments measured at fair value for the 1st half of 2022

| in € millions | Fair value through P&L | Fair value through OCI | Derivatives assets | Derivatives liabilities |
|---|---|---|---|---|
| Opening balance | 8 | 5 | 24 | 24 |
| Purchases/advances | -- | 2 | -- | -- |
| Unrealised gains or losses recognised in P&L[1] | -- | -- | -19 | -19 |
| **Closing balance** | **8** | **7** | **5** | **5** |

1 Included in the line item Other result on financial instruments.

### Change in level 3 financial instruments measured at fair value for the 1st half of 2021

| in € millions | Fair value through P&L | Fair value through OCI | Derivatives assets | Derivatives liabilities |
|---|---|---|---|---|
| Opening balance | 6 | 4 | 37 | 37 |
| Purchases/advances | -- | -- | -- | -- |
| Unrealised gains or losses recognised in P&L[1] | 1 | -1 | -6 | -6 |
| Impairments | -- | -- | -- | -- |
| **Closing balance** | **7** | **3** | **31** | **31** |

1 Included in the line item Other result on financial instruments.

### Change in level 3 financial instruments measured at fair value for the 2nd half of 2021

| in € millions | Fair value through P&L | Fair value through OCI | Derivatives assets | Derivatives liabilities |
|---|---|---|---|---|
| Opening balance | 7 | 3 | 31 | 31 |
| Purchases/advances | 1 | 2 | -- | -- |
| Unrealised gains or losses recognised in P&L[1] | -- | 1 | -7 | -7 |
| Impairment | -- | -1 | -- | -- |
| **Closing balance** | **8** | **5** | **24** | **24** |

1 Included in the line item Other result on financial instruments.

## Sensitivity of level 3 valuations of financial instruments

Level 3 financial instruments are largely valued using a net discounted cashflow method in which expectations and projections of future cashflows are discounted to a present value on the basis of market data. The models use market-observable information, such as yield curves, or information that is not observable in the market, such as assumptions about certain credit risk surcharges or assumptions about customer behaviour. The valuation of a level 3 instrument may change significantly as a result of changes in these assumptions.

### Sensitivity to non-observable parameters of level 3 financial instruments as at 30 June 2022

| in € millions | Valuation technique | Main assumption | Carrying amount | Reasonably possible alternative assumptions | Increase in fair value | Decrease in fair value |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Derivatives | Discounted cashflows | Discount curve | 5 | -0.5% of +0.5% | 1 | 1 |
| | | Prepayment rate | 5 | -1% of +1% | -- | -- |
| **LIABILITIES** | | | | | | |
| Derivatives | Discounted cashflows | Discount curve | 5 | -0.5% of +0.5% | 1 | 1 |
| | | Prepayment rate | 5 | -1% of +1% | 1 | 1 |

### Sensitivity to non-observable parameters of level 3 financial instruments as at 31 December 2021

| in € millions | Valuation technique | Main assumption | Carrying amount | Reasonably possible alternative assumptions | Increase in fair value | Decrease in fair value |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Derivatives | Discounted cashflows | Discount curve | 24 | -0.5% of +0.5% | 1 | 1 |
| | | Prepayment rate | 24 | -1% of +1% | 1 | 1 |
| **LIABILITIES** | | | | | | |
| Derivatives | Discounted cashflows | Discount curve | 24 | -0.5% of +0.5% | 1 | 1 |
| | | Prepayment rate | 24 | -1% of +1% | 1 | 1 |

The derivatives on the liabilities side of the balance sheet include certain contracts in which fixed prepayment rates have been agreed with the counterparty. Therefore, these contracts are not sensitive to prepayment rate adjustments. The main non-market observable parameter for determining the fair value of level 3 instruments is the applied estimate of the discount curve.
The level 3 derivatives relate to securitisation transactions. There is a relationship between the fair values. This is due to the fact that the derivatives of the SPVs (front swaps), which are part of the securitisation programme Pearl, are entered into back-to-back with the same counterparties (back swaps). As a result, the fair value changes of the front and back swaps are always comparable, but opposite.

### Transfers between categories

In 2021 and in the first half of 2022, no significant movements occurred.

# Reconciliation of alternative performance measures

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

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

- In the first half of 2022, net profit did not include any incidental items.
- In 2021, net profit included positive incidental items of € 17 million, entirely consisting of a positive revaluation of € 22 million before tax for a previous contribution made under the Deposit Guarantee Scheme in relation to the insolvency of DSB.

Definitions of additional ratios presented in this interim financial report are presented in the tables Non-IFRS financial measures on the next pages.

## Reconciliation of reported to adjusted net result

| | Reported | | | Adjustment | | | Adjusted | | |
|---|---|---|---|---|---|---|---|---|---|
| **in € millions** | **1H22** | **1H21** | **FY21** | **1H22** | **1H21** | **FY21** | **1H22** | **1H21** | **FY21** |
| Net interest income | 372 | 392 | 775 | | | | 372 | 392 | 775 |
| Net fee and commission income | 24 | 20 | 39 | | | | 24 | 20 | 39 |
| Investment income | -2 | -2 | 3 | | | | -2 | -2 | 3 |
| Other result on financial instruments | 69 | 7 | 10 | | | | 69 | 7 | 10 |
| Other income | -- | -- | -- | | | | -- | -- | -- |
| **Total income** | **463** | **417** | **827** | **--** | **--** | **--** | **463** | **417** | **827** |
| Staff costs | 195 | 198 | 414 | | | | 195 | 198 | 414 |
| Depreciation and amortisation of tangible and intangible assets | 10 | 11 | 20 | | | | 10 | 11 | 20 |
| Other operating expenses | 118 | 113 | 233 | | 8 | 22 | 126 | 121 | 255 |
| *Of which: regulatory levies* | 41 | 40 | *79* | | | | *41* | *40* | *79* |
| **Total operating expenses** | **323** | **322** | **667** | **--** | **8** | **22** | **331** | **330** | **689** |
| *Of which: operating expenses excluding regulatory levies* | ***282*** | ***282*** | ***588*** | **--** | ***8*** | ***22*** | ***290*** | ***290*** | ***610*** |
| Impairment charges of financial assets | 11 | -31 | -58 | | | | 11 | -31 | -58 |
| *Of which: residential mortgages* | *-2* | *-21* | *-46* | | | | -2 | *-21* | *-46* |
| *Of which: consumer loans* | *-2* | *-1* | *3* | | | | -2 | *-1* | *3* |
| *Of which: SME loans* | *-2* | *-7* | *-12* | | | | -2 | *-7* | *-12* |
| *Of which: other corporate and government loans* | *14* | *-3* | *-4* | | | | 14 | *-3* | *-4* |
| *Of which: investments* | *3* | *1* | *1* | | | | 3 | *1* | *1* |
| *Of which: other* | -- | -- | -- | | | | -- | -- | -- |
| **Total expenses** | **334** | **291** | **609** | **--** | **8** | **22** | **342** | **299** | **631** |
| **Result before taxation** | **129** | **126** | **218** | **--** | **-8** | **-22** | **121** | **118** | **196** |
| Taxation | 34 | 32 | 56 | | -2 | -5 | 32 | 30 | 51 |
| **Net result for the period** | **95** | **94** | **162** | **--** | **-6** | **-17** | **89** | **88** | **145** |

## NON-IFRS FINANCIAL MEASURES

### KPIs and adjusted KPIs

| | Reported | | | Adjustments | | | Adjusted | | |
|---|---|---|---|---|---|---|---|---|---|
| **in € millions** | **1H22** | **1H21** | **FY21** | **1H22** | **1H21** | **FY21** | **1H22** | **1H21** | **FY21** |
| **Cost/income ratio** | Total operating expenses (including regulatory levies) as percentage of total income. | | | | | | | | |
| Total operating expenses | 323 | 322 | 667 | | 8 | 22 | 323 | 330 | 689 |
| Total income | 463 | 417 | 827 | | | | 463 | 417 | 827 |
| **Cost/income ratio** | **69.8%** | **77.2%** | **80.7%** | | | | **69.8%** | **79.1%** | **83.3%** |
| **Return on Equity (RoE)** | Net result for the period from continuing operations as percentage of average month-end total equity[1] for the reporting period. | | | | | | | | |
| Net result | 95 | 94 | 162 | | -6 | -17 | 95 | 88 | 145 |
| Average month-end total equity[1] | 3,457 | 3,437 | 3,458 | | | | 3,457 | 3,437 | 3,458 |
| **Return on Equity (RoE)** | **5.5%** | **5.5%** | **4.7%** | | | | **5.5%** | **5.1%** | **4.2%** |
| **Net interest margin (bps)** | Net interest income as percentage of average month-end total assets for the reporting period. | | | | | | | | |
| Net interest income | 372 | 392 | 775 | | | | 372 | 392 | 775 |
| Average month-end total assets | 73,663 | 68,772 | 69,958 | | | | 73,663 | 68,772 | 69,958 |
| **Net interest margin (bps)** | **1.01%** | **1.14%** | **1.11%** | | | | **1.01%** | **1.14%** | **1.11%** |
| **Cost/assets ratio** | Total operating expenses excluding regulatory levies as percentage of average month-end total assets for the reporting period. | | | | | | | | |
| Operating expenses excluding regulatory levies | 282 | 282 | 588 | | 8 | 22 | 282 | 290 | 610 |
| Average month-end total assets | 73,663 | 68,772 | 69,958 | | | | 73,663 | 68,772 | 69,958 |
| **Cost/assets ratio** | **0.77%** | **0.82%** | **0.84%** | | | | **0.77%** | **0.84%** | **0.87%** |

1 Excluding AT1 capital securities

### Cost of risk

| **in € millions** | | **1H22** | **1H21** | **FY21** |
|---|---|---|---|---|
| **Cost of risk** | Impairment charges of financial assets as percentage of average month-end loan portfolio exposure for the reporting period. | | | |
| **TOTAL LOANS** | | | | |
| Impairment charges of financial assets - total loans | | 8 | -32 | -59 |
| Average month-end portfolio exposure - total loans | | 50,319 | 49,231 | 49,417 |
| **Cost of risk total loans** | | **0.03%** | **-0.13%** | **-0.12%** |
| **RESIDENTIAL MORTGAGES** | | | | |
| Impairment charges of financial assets - residential mortgages | | -2 | -21 | -46 |
| Average month-end portfolio exposure - residential mortgages | | 47,990 | 46,667 | 46,465 |
| **Cost of risk residential mortgages** | | **-0.01%** | **-0.09%** | **-0.10%** |
| **SME LOANS** | | | | |
| Impairment charges of financial assets - SME loans | | -2 | -7 | -12 |
| Average month-end portfolio exposure - SME loans | | 906 | 707 | 769 |
| **Cost of risk SME loans** | | **-0.32%** | **-1.98%** | **-1.56%** |

### Loan-to-Deposit ratio (LtD)

| in € millions | 1H22 | 1H21 | FY21 |
|---|---|---|---|
| **Loan-to-Deposit ratio (LtD)** Loans and advances to retail customers as a percentage of amounts due to retail customers | | | |
| Total loans and advances to customers[1] | 49,363 | 49,934 | 50,570 |
| IFRS value adjustments | -1,353 | 1,098 | 810 |
| Loans and advances to other corporates and governments (cash loans VFM) | 482 | 714 | 431 |
| **Loans and advances to retail customers** | **50,234** | **48,122** | **49,329** |
| | | | |
| Total amounts due to customers | 58,722 | 56,446 | 58,128 |
| Amounts due to non-retail customers (private loans VFM) | 559 | 609 | 571 |
| **Amounts due to retail customers** | **58,163** | **55,837** | **57,557** |
| **Loan-to-Deposit ratio (LtD)** | **86%** | **86%** | **86%** |

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

# Independent auditor's review report

To: the shareholder and the supervisory board of de Volksbank N.V.

## Our conclusion

We have reviewed the condensed consolidated interim financial statements included in the accompanying interim financial report of de Volksbank N.V. based in Utrecht for the period from 1 January 2022 to 30 June 2022.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of de Volksbank N.V. for the period from 1 January 2022 to 30 June 2022, are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

The condensed consolidated interim financial statements comprise:

- The consolidated statement of financial position as at 30 June 2022;
- The consolidated income statement, the consolidated statement of comprehensive income, the condensed consolidated statement of changes in total equity, and the condensed consolidated cashflow statement for the period from 1 January 2022 to 30 June 2022;
- The notes comprising of a summary of the significant accounting policies and selected explanatory information.

## Basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410, "Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit" (Review of interim financial information performed by the independent auditor of the entity). A review of interim financial information in accordance with the Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the Our responsibilities for the review of the condensed consolidated interim financial statements section of our report.

We are independent of de Volksbank N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## Responsibilities of the executive board and the supervisory board for the condensed interim consolidated financial statements

The executive board is responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Furthermore, the executive board is responsible for such internal control as it determines is necessary to enable the preparation of the condensed consolidated interim financial statements that is free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing de Volksbank N.V.'s financial reporting process.

### Our responsibilities for the review of the condensed interim consolidated financial statements

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The level of assurance obtained in a review engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with Dutch Standard 2410.
Our review included among others:

- Updating our understanding of de Volksbank N.V. and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the condensed consolidated interim financial statements where material misstatements are likely to arise due to fraud or error, designing and performing analytical and other review procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion;
- Obtaining an understanding of internal control as it relates to the preparation of condensed consolidated interim financial statements;
- Making inquiries of the executive board and others within de Volksbank N.V.;
- Applying analytical procedures with respect to information included in the condensed consolidated interim financial statements;
- Obtaining assurance evidence that the condensed consolidated interim financial statements agree with, or reconcile to, de Volksbank N.V.'s underlying accounting records;
- Evaluating the assurance evidence obtained;
- Considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle;
- Considering whether the executive board has identified all events that may require adjustment to or disclosure in the condensed consolidated interim financial statements;
- Considering whether the condensed consolidated interim financial statements have been prepared in accordance with the applicable financial reporting framework and represent the underlying transactions free from material misstatement.

Amsterdam, 11 August 2022

Ernst & Young Accountants LLP

P.J.A.J. Nijssen

# General information

## 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 offers simple and transparent mortgage, savings and payment products to private individuals, self-employed persons and smaller companies. The bank also offers insurance and investment products. De Volksbank carries multiple brands and has a single back office and IT organisation. De Volksbank has a balance sheet total of € 75 billion and 3,162 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
De Volksbank aims to meet the specific financial needs of its customers in a people-oriented, efficient and sustainable manner. Our mission is ‘Banking with a human touch’. We achieve it by creating value for all our stakeholders: our customers, society, our employees and our shareholder. We aim for optimum shared value rather than maximisation of a single value. Together with our brands we strive for a strong customer relationship and increasing our social impact.

### Our brands
There is no such thing as an 'average customer'. Everyone has different wishes, needs and preferences. We want to serve our customers in the way that best fits their needs. That is why, instead of one brand for all customers, we have opted for different brands that each serve their customers in the way that suits them best. Each brand has its own way of working, image, mentality and products, from savings and investments 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 approximately 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
**People first, then money**
SNS helps customers achieve their goals and dreams. Together with them, we look at what they need, and what stands in their way. We will actively work towards solutions. We will do everything we can to ensure that our customers get a fair chance to grow to their full potential. For we believe that if everyone is able to grow in their own way, the Netherlands will become a stronger country. That’s why we say: people first, then money. We have been serving our customers for 200 years, currently with over 200 shops across the country. www.snsbank.nl

## Disclaimer