

# Financial results first half 2017

## Investor presentation

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# De Volksbank posts first half 2017 net profit of € 177 million

## Progress on strategy

- Continued focus on shared value starting to yield results:
  - Customers: Net growth current account customers by 42,000 to 1.37m; improvement customer-weighted NPS to -4 (YE16: -8)
  - Collaboration agreement with Pivotal, to contribute to our mission of banking with a human touch
  - Data safety: no sale of customer data on an individual or aggregate level
  - Society: 25% climate neutral balance sheet (YE16: 22%)
  - Shareholder: Return on Equity of 10.0% (1H16: 10.8%)

## Commercial developments

- Market share new retail mortgages higher at 6.8% (1H16: 4.8%); sharp increase in new retail mortgage production to €2.5bn (+67%)
- €0.4bn increase in retail mortgage portfolio to €45.3bn (year-end 2016: €44.9bn)
- Market share new current accounts of 20% (1H16: 25%)
- 2% increase in retail savings balances to €37.4bn; market share stable at 10.7%

## Financial performance

- Net profit virtually stable at €177m (1H16: €181m)
- Lower net profit adjusted for incidental items of €178m (1H16: €193m) due to lower net release of loan provisions
- Net interest income 2% lower YoY; net interest margin virtually stable at 1.50%
- Adjusted cost/income ratio lower at 52.5% (1H16: 54.2%) due to 5% lower adjusted operating expenses
- Net release of loan provisions of €20m (1H16: €45m); 22% decrease in retail mortgage loans in arrears to €0.5bn
- Increase in CET1 ratio to 32.6% (YE16: 29.2%); leverage ratio: 5.5% (YE16: 5.2%)

# Strategic priority 1: Strengthening our social identity

## Strengthening our social identity



### Reversing the banking model

- A pilot on reversing the banking model was completed and several possible changes within the mortgage business chain were identified
  - We will empower our customer advisors to accept mortgages
  - Customer efforts to repay their mortgage are leading in our policy. We aim to agree on reasonable repayment terms that offer customers a perspective to obtain or maintain a healthy financial balance. We no longer transfer cases to debt collection agencies
- We have made preparations for the introduction of PSD2, in early 2018. We will not sell our customer data on an individual or aggregate level, they are the owners, and we want to help and inform them about the possibilities and risks of sharing their data with third parties

### De Volksbank 100% climate neutral by 2030

- At the end of June 2017, our balance sheet was 25% climate neutral (YE16: 22%). The progress was mainly caused by an increase in sustainable project finance and investments in green bonds
- The average energy label of our mortgage portfolio remained virtually stable compared to YE16. Following up on pilots started in 2016, we took initiatives to support customers in improving their home insulation. SNS incorporated the 'sustainable living' theme in its customer mortgage advice interviews, BLG Wonen stimulated customers to take energy-saving measures by offering a free thermal image of their home and RegioBank offered customers a premium when they finalised the energy label of their home

# Strategic priority 2: Simplifying and enhancing the efficiency of our operations

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## Simplifying and enhancing the efficiency of our operations



### Efficiency programmes

- In 1H17, progress on initiatives to improve and monitor efficiency was on track. These initiatives comprised straight through processing, increased digitalisation, optimisation of support functions, further automation and optimisation of IT processes, and moderation of our remuneration policy
- The number of jobs is expected to be reduced by 800-900 FTEs in the years ahead. In line with this development, it has been decided to simplify the management structure. The number of senior management positions will be reduced from 47 to approximately 30 in the period up to 2020

### Product simplification

- In the area of simplifying our products, we introduced *Doelbeleggen*: a clear-cut investment account with support tools, allowing customers to invest independently online in 1 of the 5 sustainable mixed investment funds of ASN Beleggingsfondsen Beheer

# Strategic priority 3: Innovating as a smart adopter

## Innovating as a smart adopter



### Digital banking

- In April 2017, ASN Bank, RegioBank and SNS joined three other Dutch banks in the initiative to launch Payconiq in the Netherlands. Payconiq makes executing payments simpler. The association between Payconiq and the banks anticipates the introduction of PSD2



### Improving our customers' financial resilience

- To intensify the relationship with our customers by means of digital media, we concluded a collaboration agreement with Pivotus, an innovation team in Silicon Valley. Pivotus collaborates with Umpqua Bank (USA), Nationwide (UK), CUA (Australia) and de Volksbank. We share the same vision on innovation: creating trust and connecting people. We are currently working on the development of a platform to allow customers to interact with one person within the bank for all their financial questions

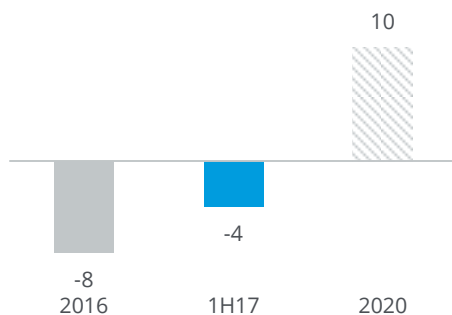


### Contributing to simplicity and efficiency

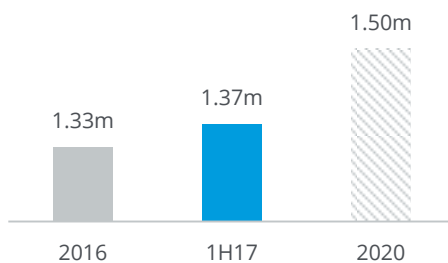
- With regard to simplicity and efficiency, we started initiatives to further automate mortgage and payments processes based on machine learning

# Progress on long-term objectives

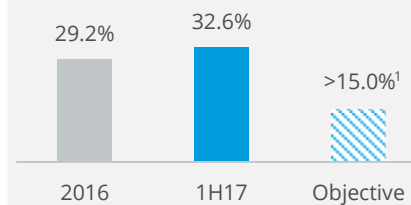
Customer-weighted average NPS



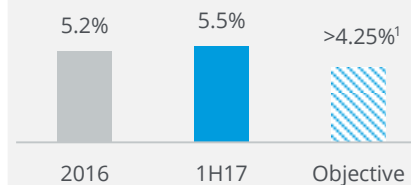
Current account customers



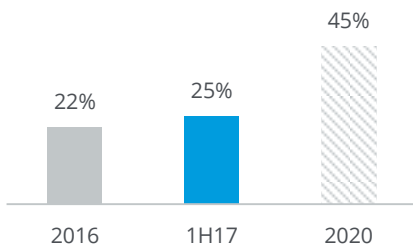
CET1 ratio



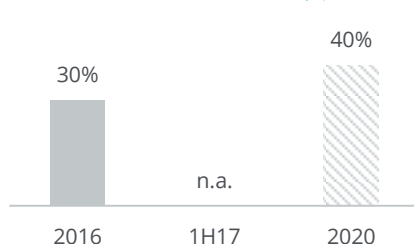
Leverage ratio



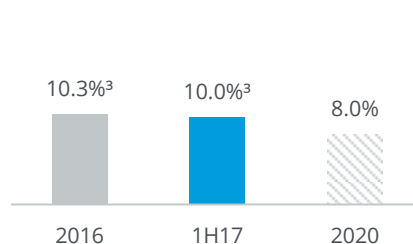
Climate neutral balance sheet



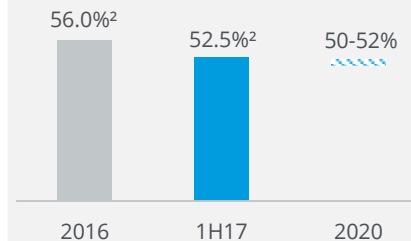
Employee NPS



Return on Equity



Cost/Income ratio








[1] Objectives for CET1 ratio and leverage ratio apply to every year [2] excluding incidental items and regulatory levies [3] excluding incidental items

# 1. Commercial developments

# Overall customer satisfaction level developed well

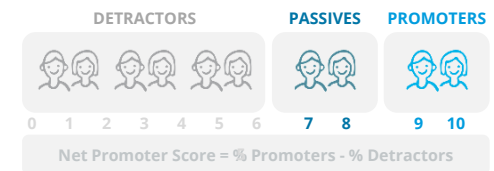
## Net Promoter Score

(in %)

Brand	2010	2011	2012	2013	2014	2015	2016	1H17	Trend 2010-1H17
SNS	-67	-33	-35	-39	-28	-26	-18	-14	
ASN Bank	+19	+34	+22	+19	+12	+19	+14	+16	
RegioBank	-33	-18	-8	-7	-7	+5	+2	+6	
BLG Wonen	--	--	--	-15	-14	-42	-29	-27	
<b>Weighted average</b>	<b>-41</b>	<b>-16</b>	<b>-17</b>	<b>-21</b>	<b>-16</b>	<b>-12</b>	<b>-8</b>	<b>-4</b>	

\* BLG Wonen's measurement started in 1H13

- In 1H17, our customer-weighted NPS improved from -8 to -4, with all brands contributing to this improvement
- The positive NPS at ASN Bank and RegioBank improved further, from 14 to 16 and 2 to 6 respectively
- At SNS, the NPS improved from -18 to -14, while at BLG Wonen the NPS increased from -29 to -27

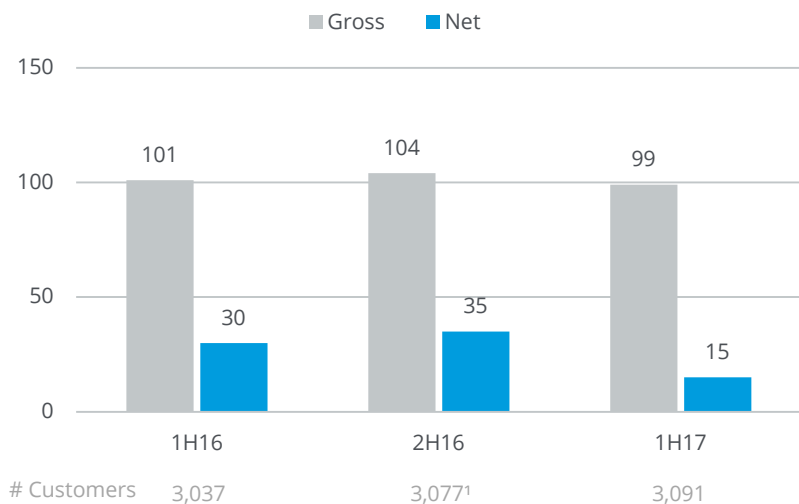




# Customer growth driven by increase in current accounts

## Development customers

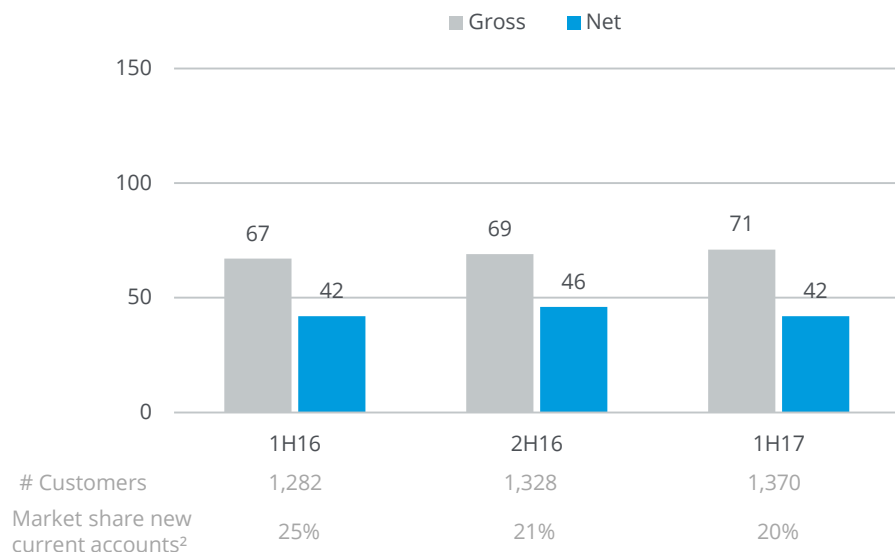
In thousands



- Together, the brands of de Volksbank welcomed 99,000 new customers in 1H17 (net growth: 15,000)
- Net growth of 15,000 lower than in 1H16, mainly due to a lower growth in savings customers, partly attributable to the absence of major marketing campaigns and a limited outflow of customers following termination of the ZwitserlevenBank proposition

## Development current account customers

In thousands



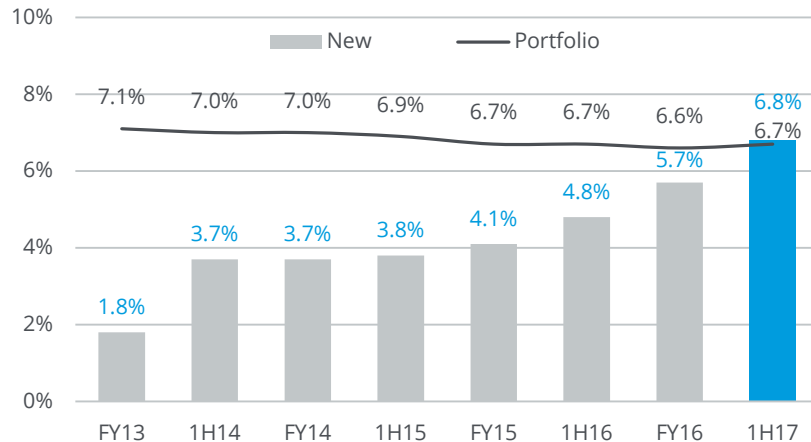
- 42,000 net new current account customers in 1H17
- In 1H17, 20% of new current accounts in the Netherlands was opened at one of our brands: ASN Bank, RegioBank and SNS
- On a total portfolio basis, our market share in current accounts in the Netherlands stood at 7.9%

[1] Includes an adjustment (+5k) due to changes in definition [2] market research conducted by GFK, based on Moving Annual Total (MAT)

# Strong growth in new retail mortgage production; virtually stable market share in retail savings

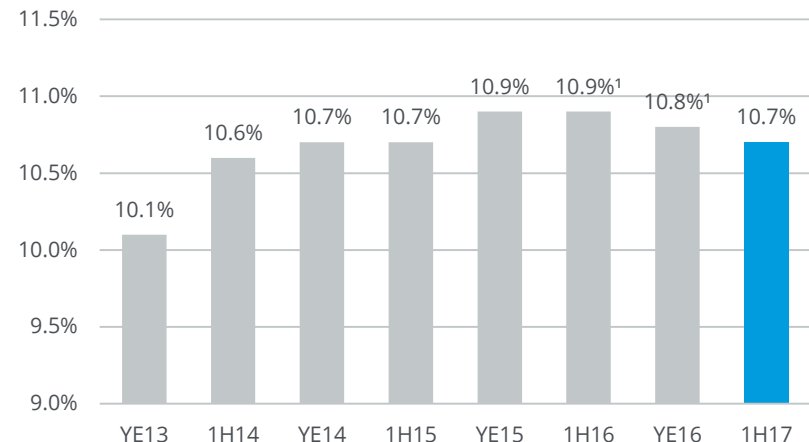
## Market share retail mortgage loans

In %



## Market share retail savings

In %



- New retail mortgage production increased to €2.5bn (+67%). In a growing market, our market share grew to 6.8%
- On a total portfolio basis, market share in retail mortgage loans remained virtually stable at 6.7%

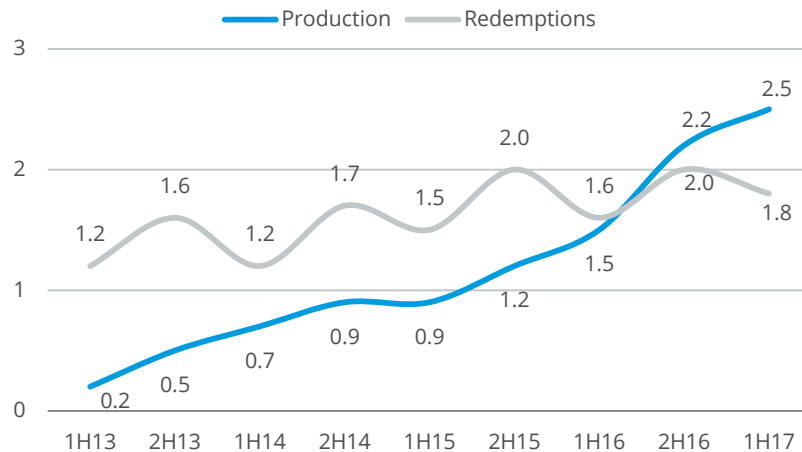
- Market share in retail savings remained virtually stable at 10.7%
- Retail savings balances increased to €37.4bn, from €36.6bn at YE16

[1] Market share retail savings June and December 2016 slightly adjusted due to a correction of the total Dutch savings market by DNB

# Mortgage production outpaced redemptions; growth of the retail mortgage portfolio

## Mortgage production vs redemptions

In € billions



## Development gross retail mortgage portfolio 1H17<sup>1</sup>

In € billions



- New mortgage production increased to €2.5bn (+67%), the highest compared to previous half years
- De Volksbank was able to retain many mortgage customers whose fixed-rate period ended in 2016 or 2017. Volumes of mortgages up for renewal were again substantial as a result of the high mortgage origination in the 2005-2008 period, which predominantly carried a 10-year fixed rate
- Retention efforts with our mortgage customers were reflected in a high level of renewals of nearly €3.1bn in 1H17 (1H16: €4.8bn), of which 40% early renewals
- Total redemptions of €1.8bn were slightly up compared to 1H16 (€1.6bn), mainly driven by increased house movements

[1] Conversions are excluded from production and redemptions figures

## 2. 1H17 results & outlook

# Lower adjusted net profit due to lower net release of loan provisions

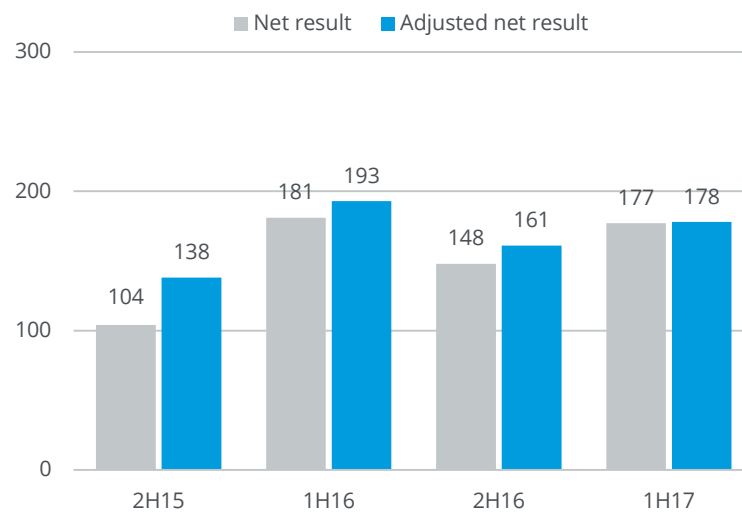
## Result

In € millions

	1H16	2H16	1H17	Δ YoY
<b>Net result</b>	<b>181</b>	<b>148</b>	<b>177</b>	<b>-2%</b>
Fair value movements of mortgages/related derivatives	-12	11	-1	
Restructuring provision	--	-24	--	
Total incidental items	-12	-13	-1	
<b>Adjusted net result</b>	<b>193</b>	<b>161</b>	<b>178</b>	<b>-8%</b>
Return on Equity	10.8%	8.4%	10.0%	
Adjusted Return on Equity	11.5%	9.2%	10.0%	

## Result

In € millions



- Adjusted for incidental items, net profit decreased by €15m to €178m (-8%), more than wholly attributable to a sharply lower net release of loan provisions. The impact of lower net interest income, investment income and net fee and commission income was more than compensated by lower operating expenses and a higher result on financial instruments
- Based on net profit excluding incidental items, ROE was 10.0% (1H16: 11.5%), driven by a lower adjusted net result and a higher level of average equity
- Net profit decreased by €4m to €177m (-2%)

# 2% lower adjusted total income mainly due to lower net interest income

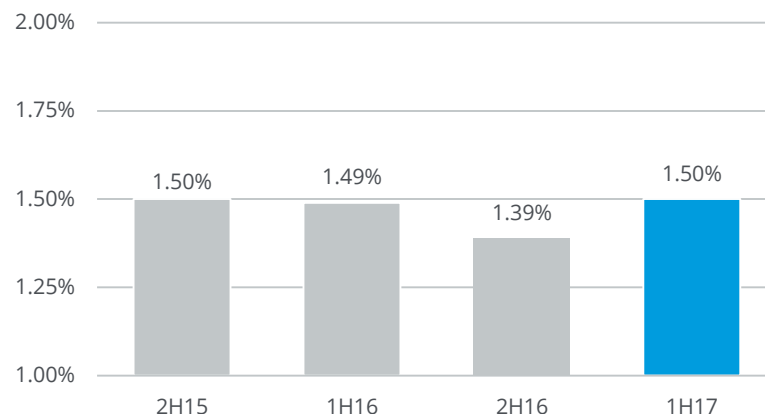
## Income

In € millions

	1H16	2H16	1H17	Δ YoY
Net interest income	472	439	462	-2%
Net fee and commission income	31	26	26	-16%
Investment income	37	20	29	-22%
Result on financial instruments	-31	11	-2	+94%
Other operating income	1	1	--	-
<b>Total income</b>	<b>510</b>	<b>497</b>	<b>515</b>	<b>+1%</b>
Incidental items	-16	15	-1	+94%
<b>Adjusted total income</b>	<b>526</b>	<b>482</b>	<b>516</b>	<b>-2%</b>

## Net interest margin

(% of average assets)



- Net interest income decreased by €10m YoY (-2%), mainly due to lower income on mortgages as a result of high number of (early) renewals. Renewals were high due to a high level of 10-year fixed mortgages originated in 2006 and 2007
- Net interest income as a percentage of average assets virtually stable at 1.50% (1H16: 1.49%)
- Net fee and commission income decreased by €5m to €26m due to a decline in received securities fees resulting from the sale of SNS Securities and higher distribution fees paid as a result of the reclassification of distribution fees paid by RegioBank
- Investment income decreased by €8m to €29m driven by the absence of a €10m gain on the sale of de Volksbank's share in VISA Europe Ltd. in 1H16
- Result on financial instruments improved sharply by €29m to €-2m, of which €14m due to fair value movements of former DBV mortgages and related derivatives (incidental item). Excluding this incidental item, the result on financial instruments improved by €15m. This was mainly due to higher hedge ineffectiveness results on derivatives, partly related to mortgages. In 1H17, these were slightly positive, while in 1H16 they were negative as a result of interest volatility

# 5% decline in adjusted operating expenses

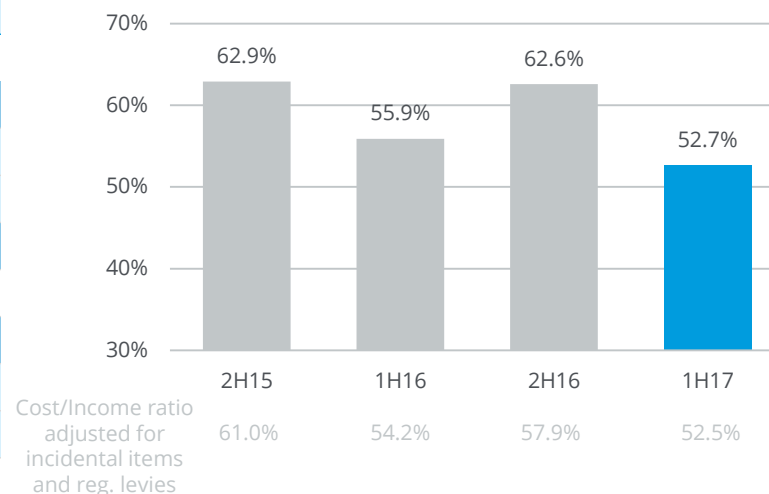
## Operating expenses

In € millions

	1H16	2H16	1H17	Δ YoY
<b>Total operating expenses</b>	<b>312</b>	<b>330</b>	<b>299</b>	<b>-4%</b>
Regulatory levies	27	19	28	+4%
Restructuring charge	--	32	--	-
<b>Adjusted operating expenses</b>	<b>285</b>	<b>279</b>	<b>271</b>	<b>-5%</b>
<b>Total FTE</b>	<b>4,188</b>	<b>4,005</b>	<b>3,961</b>	<b>-5%</b>
Internal FTE	3,413	3,354	3,288	-4%
External FTE	775	651	673	-13%

## Cost/Income ratio adjusted for regulatory levies

In %



- Excluding regulatory levies, adjusted operating expenses decreased by €14m to €271m (-5%). Adjusted operating expenses were impacted by the absence of the SNS Securities cost base (1H16: €10m), an additional restructuring charge of €7m<sup>1</sup> (1H16 a release of €3m) and lower marketing and consultancy costs
- Total operating expenses decreased by €13m to €299m (-4%)
- Regulatory levies remained virtually stable at €28m, of which €10m was related to the full-year resolution fund contribution and €18m to the first half-year ex ante DGS contribution

[1] In 2H16, de Volksbank took a major restructuring charge of €32m, which is accounted for as an incidental item. The relatively small additions and releases in the other periods are not accounted for as incidental items

# Lower net release of loan provisions; strong decline in mortgages in arrears

## Loan impairment charges

In € millions

	1H16	2H16	1H17
Retail mortgage loans	-40	-25	-18
SME loans	-3	1	-3
Other	-2	1	1
<b>Total loan impairment charges</b>	<b>-45</b>	<b>-23</b>	<b>-20</b>
Impairments on retail mortgages as % of gross outstanding retail mortgages	-0.18%	-0.11%	-0.08%
Total loan impairments as % of gross outstanding loans	-0.18%	-0.10%	-0.08%

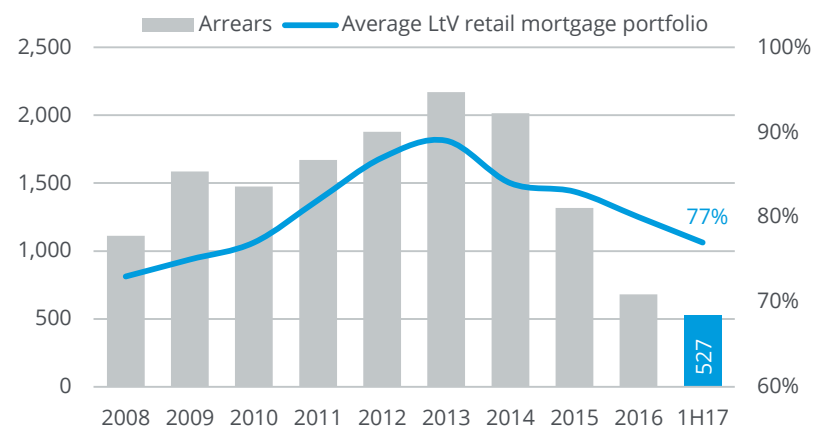
## Retail mortgage loans

Ratios

	1H16	2H16	1H17
Loans in arrears % gross loans	2.0%	1.5%	1.2%
Impaired ratio	1.4%	0.9%	0.7%
Loan loss reserves % gross loans	0.39%	0.25%	0.19%
Coverage ratio	21.4%	19.0%	17.4%
Average LtV	82%	80%	77%

## Retail mortgages in arrears, average LtV

(in € millions LHS; LTV RHS)

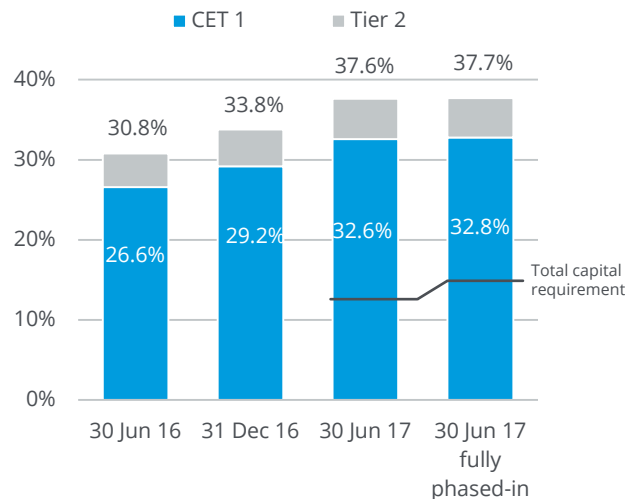


- Improving macro-economic conditions and a further increase in house prices continued to have a positive effect on impairment charges, resulting in a net release of €20m
- Continued efforts by the Arrears Management department and stricter acceptance criteria for mortgage loans in recent years contributed to a continued decrease in impaired retail mortgage loans, albeit more gradually than in 2016
- Decrease in retail mortgages in arrears (from 1 day overdue) from €0.7bn to €0.5bn, 1.2% of gross loans. Impaired default loans decreased from €0.4bn to €0.3bn, 0.7% of gross loans (impaired ratio)



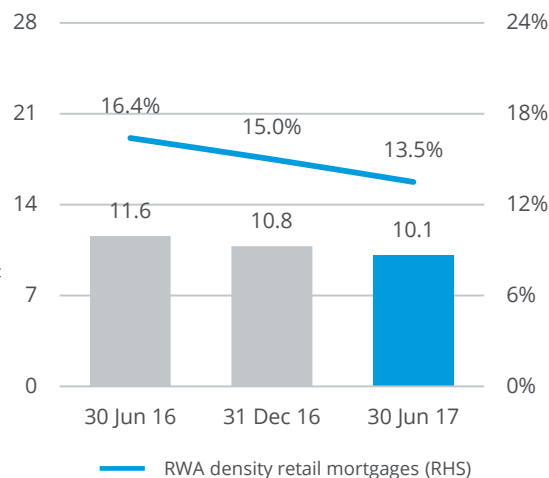
# Further improvement in capital ratios

## Total capital ratio

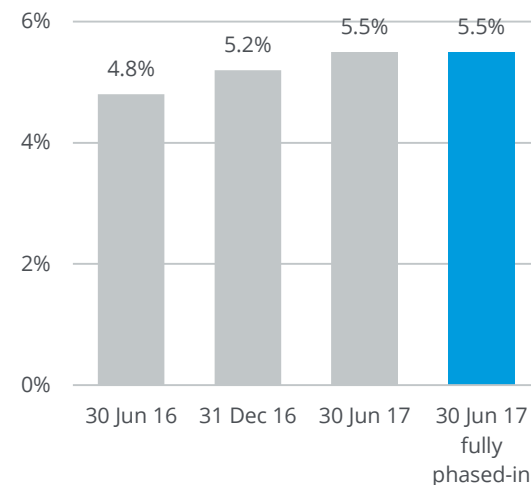


## Risk-weighted assets

(in € billions; LHS)



## Leverage ratio



- The CET1 ratio improved to 32.6%, driven by an increase in CET1 capital and a decrease in RWA
- RWA decreased to €10.1bn, compared to €10.8bn at year-end 2016, mainly driven by decreasing PDs and LGDs as a result of improved economic conditions. The RWA density of retail mortgages declined further to 13.5%
- The increase in the leverage ratio to 5.5% was mainly driven by an increase of CET 1 capital

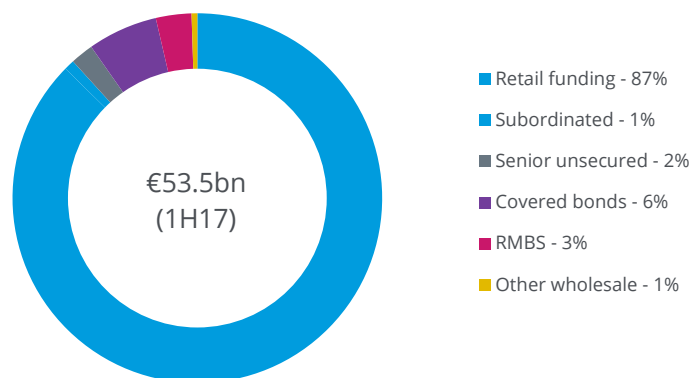
# Estimated impact of model adjustments and capital regulations

IRB model adjustment	Expected implementation date	Estimated impact
Application of a dynamic model risk add-on (margin of conservatism)	Second half year of 2017	RWA density of retail mortgages is expected to increase by ~1.5%
IFRS 9		
Reclassification of DBV mortgages from fair value to amortised cost	1 January 2018	~1.1%-point decrease in the fully phased-in CET1 ratio
Increase in provisions	1 January 2018	~0.3%-point decrease in the fully phased-in CET1 ratio
		Combined impact on fully phased-in CET 1 ratio of approximately +/- 1.4%-point
BCBS consultations (Basel IV)		
Revised capital floor framework	2021 (fully phased-in by 2027) at the earliest	Significant increase of RWA after application of aggregate output floor
Revised Standardised Approach for credit risk RWA	2021 (fully phased-in by 2027)	Significant increase of effective risk weighting of retail mortgages after application of aggregate output floor
Constraints on IRB models	2021	Limited increase of approximately 1%-point in the risk weighting of retail mortgages
Standardised Measurement Approach for operational risk	2021 (fully phased-in by 2027)	Limited impact

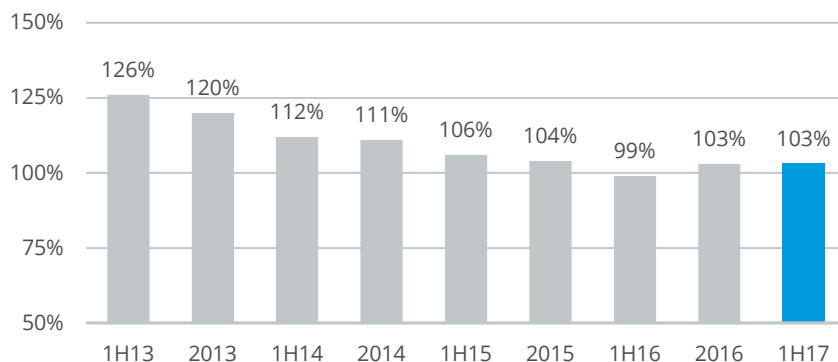
De Volksbank's risk-weighted capital ratios offer a substantial buffer against the estimated impact of developments in capital regulation

# Funding & liquidity

## Funding mix



## Loan-to-Deposit ratio<sup>1</sup>



[1] The Loan-to-Deposit ratio is calculated by dividing retail loans by retail funding. As from June 2017, retail loans are adjusted for fair value adjustments from hedge accounting. Comparative figures have been adjusted accordingly

## Liquidity position

In € millions

	2015	1H16	2016	1H17
Cash	2,447	3,086	2,816	3,314
Sovereigns	3,762	2,746	2,713	2,563
Regional/local governments & supranationals	702	719	755	805
Other liquid assets	413	295	351	377
Eligible retained RMBS	4,812	4,344	3,898	4,777
<b>Total liquidity position</b>	<b>12,136</b>	<b>11,189</b>	<b>10,533</b>	<b>11,836</b>

- Further increase in retail funding in 1H17 (86% YE16)
- Loan-to-Deposit ratio remained stable at 103%
- Liquidity position remained high
- LCR and NSFR well above 100%

# Outlook

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- At de Volksbank, the average interest rate on retail mortgages is expected to remain relatively low and net interest income in 2H17 is expected to be lower than in 1H17
- In 2H17, operating expenses, excluding regulatory levies, are expected to be higher than in 1H17 due to a higher level of project costs, partly related to our three strategic pillars and extra expenditure in the field of transaction monitoring
- The number of customers in default on both retail mortgage and SME loans is expected to continue to decline. Combined with positive macro-economic developments and a continued increase in house prices, this is expected to lead to a further release of provisions in 2H17, albeit lower than in 1H17

In all, we expect the net result in the second half of 2017 to be lower compared to the level of the first half of 2017

# Questions & answers

# Appendix

# Summary P&L

In € millions

	2015	2016
Net interest income	994	911
Net fee and commission income	48	57
Other income	84	39
<b>Total income</b>	<b>1,125</b>	<b>1,007</b>
Total operating expenses	590	642
Other expenses	22	1
Impairment charges	37	(68)
Impairment charges goodwill	--	--
<b>Total expenses</b>	<b>649</b>	<b>575</b>
<b>Result before tax</b>	<b>475</b>	<b>432</b>
Taxation	128	103
<b>Net result</b>	<b>348</b>	<b>329</b>
Incidental items	(13)	(25)
<b>Adjusted net result</b>	<b>335</b>	<b>354</b>

## Ratios

Cost/income ratio	51.2%	59.2%
Cost/Asset ratio	0.88%	0.94%
Net interest margin	1.52%	1.44%
Cost of risk retail mortgages	0.08%	-0.15%
RoE	10.9%	9.6%
Adjusted RoE	10.5%	10.3%

1H13	2H13	1H14	2H14	1H15	2H15	1H16	2H16	1H17
460	497	491	533	515	479	472	439	462
28	22	24	20	24	24	31	26	26
156	(114)	23	8	96	(12)	7	32	27
<b>644</b>	<b>399</b>	<b>538</b>	<b>561</b>	<b>635</b>	<b>490</b>	<b>510</b>	<b>497</b>	<b>515</b>
267	255	241	250	266	324	312	330	299
--	8	51	32	--	22	1	--	--
94	130	81	126	44	(7)	(45)	(23)	(20)
--	--	--	67	--	--	--	--	--
<b>361</b>	<b>393</b>	<b>373</b>	<b>475</b>	<b>310</b>	<b>339</b>	<b>268</b>	<b>307</b>	<b>279</b>
<b>283</b>	<b>6</b>	<b>165</b>	<b>86</b>	<b>325</b>	<b>151</b>	<b>242</b>	<b>190</b>	<b>236</b>
68	37	54	46	81	47	61	42	59
<b>215</b>	<b>(31)</b>	<b>111</b>	<b>40</b>	<b>244</b>	<b>104</b>	<b>181</b>	<b>148</b>	<b>177</b>
20	(99)	(43)	(100)	47	(34)	(12)	(13)	(1)
<b>195</b>	<b>68</b>	<b>154</b>	<b>140</b>	<b>197</b>	<b>138</b>	<b>193</b>	<b>161</b>	<b>178</b>

41.5%	63.9%	44.8%	44.6%	42.0%	62.9%	55.9%	62.6%	52.7%
0.67%	0.67%	0.67%	0.75%	0.80%	0.96%	0.89%	0.99%	0.88%
1.16%	1.30%	1.37%	1.56%	1.54%	1.49%	1.48%	1.39%	1.50%
0.29%	0.43%	0.29%	0.35%	0.15%	0.00%	-0.18%	-0.11%	-0.08%
20.7%	-2.5%	8.2%	2.8%	15.7%	6.4%	10.8%	8.4%	10.0%
18.8%	5.6%	11.4%	9.6%	12.7%	8.5%	11.4%	9.2%	10.0%

# Summary balance sheet

In € millions	31-12-2013	30-6-2014	31-12-2014	30-6-2015	31-12-2015	30-06-2016	31-12-2016	30-06-2017
<b>Total assets</b>	<b>74,537</b>	<b>68,633</b>	<b>68,159</b>	<b>65,327</b>	<b>62,690</b>	<b>64,408</b>	<b>61,561</b>	<b>60,956</b>
Cash and cash equivalents	5,528	2,693	1,968	3,913	2,259	3,110	2,297	3,132
Loans and advances to banks	6,063	2,537	2,604	2,402	2,081	3,333	2,532	1,735
Loans and advances to customers	53,405	53,550	52,834	49,705	49,217	48,697	48,593	48,773
Derivatives	2,484	2,661	2,702	2,198	1,993	1,864	1,533	1,340
Investments	5,657	5,888	7,001	6,055	6,376	6,646	5,970	5,337
Property and equipment	52	54	86	80	77	74	73	71
Intangible assets	89	84	15	12	15	14	15	14
Deferred tax assets	507	412	450	309	284	367	137	122
Corporate income tax	208	275	66	36	--	--	--	42
Other assets	544	479	284	430	278	303	411	390
Assets held for sale	--	--	149	187	110	--	--	--
<b>Total liabilities and equity</b>	<b>74,537</b>	<b>68,633</b>	<b>68,159</b>	<b>65,327</b>	<b>62,690</b>	<b>64,408</b>	<b>61,561</b>	<b>60,956</b>
<i>Savings</i>	33,276	36,269	35,666	37,277	36,860	37,666	36,593	37,373
<i>Other amounts due to customers</i>	10,628	10,249	10,542	10,344	10,580	11,482	10,835	10,658
<b>Amounts due to customers</b>	<b>43,904</b>	<b>46,518</b>	<b>46,208</b>	<b>47,621</b>	<b>47,440</b>	<b>49,148</b>	<b>47,428</b>	<b>48,031</b>
Amounts due to banks	7,457	2,915	2,099	1,587	1,000	1,522	1,446	1,064
Debt certificates	16,439	12,077	11,252	9,027	6,941	6,008	5,696	5,564
Derivatives	2,670	3,080	3,266	2,507	2,189	2,536	1,861	1,450
Deferred tax liabilities	174	239	287	217	216	282	59	46
Corporate income tax	--	--	--	--	--	90	18	--
Other liabilities	1,205	884	1,971	1,074	11	808	891	645
Other provisions	66	58	55	54	955	53	103	99
Provision for employee benefits	--	--	--	17	23	24	17	16
Participation certificates and subordinated debt	40	40	40	--	493	505	501	498
Liabilities held for sale	--	--	18	75	37	--	--	--
Shareholders' equity	2,582	2,822	2,963	3,148	3,302	3,432	3,541	3,543



# Key items balance sheet

## Key items balance sheet

In € millions

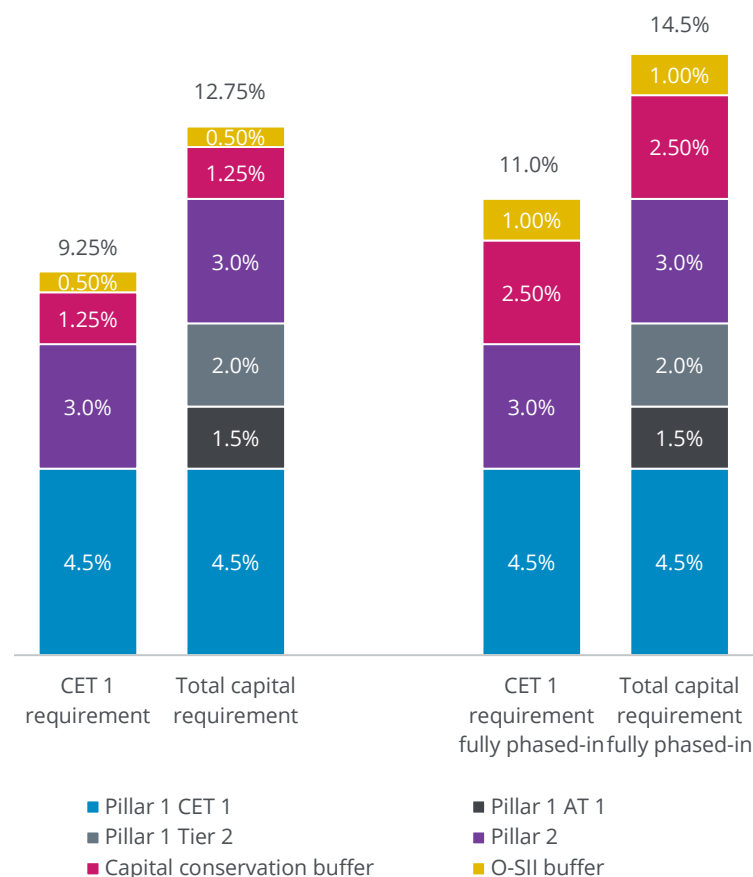
	31 Dec 16	30 Jun 17	Δ YoY
<b>Total assets</b>	61,561	60,956	-1%
<b>Loans and advances to customers</b>	48,593	48,773	0%
- of which retail mortgage loans	44,797	45,211	+1%
- of which retail other loans	165	148	-10%
- of which SME loans	835	788	-6%
- of which other, including (semi-) public sector loans	2,796	2,626	-6%
Loans and advances to banks	2,532	1,735	-31%
Investments	5,970	5,337	-11%
<b>Amounts due to customers</b>	47,428	48,031	+1%
- of which retail savings	36,593	37,373	+2%
- of which other amounts due to customers	10,835	10,658	-2%
Amounts due to banks	1,446	1,064	-26%
Debt certificates	5,696	5,564	-2%
Shareholders' equity	3,541	3,543	0%

## Comments

- Balance sheet total decreased by €0.6bn to €61.0bn vs YE16
- Loans and advances to banks decreased by €0.8bn to €1.7bn, mainly driven by cash management transactions
- Investments decreased by €0.6bn to €5.3bn, mainly due to liquidity management
- Savings increased by €0.8bn to € 37.4bn
- Debt certificates decreased by €0.1bn to €5.6bn as regular redemptions were compensated by public and private issuances of €0.7bn in covered bonds and €0.5bn outstanding money market funding
- Shareholders' equity remained stable at €3.5bn as net profit retention (€177m) was offset by a dividend payment over 2016, a decrease in the fair value reserve fixed-income portfolio (€36m) and a decrease in the cash flow hedge reserve (€5m). The fair value reserve decreased due to a steepening of the yield curve and realised gains in the investment portfolio

# De Volksbank amply meets its 2017 capital requirements following from the SREP

## 2017 capital requirements following from the SREP



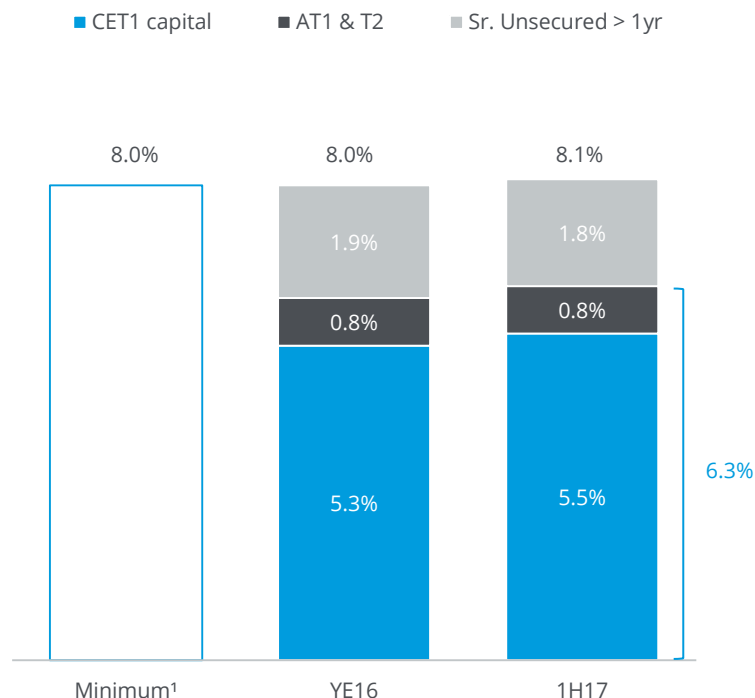
- Following from the SREP, with effect from 1 January 2017 de Volksbank is required to meet a minimum Total Capital ratio of 12.75% (Overall Capital Requirement, OCR), of which 9.25% CET 1 capital
- The OCR serves as the Maximum Distributable Amount trigger level, below which no coupon or dividend payments are allowed
- Fully phased-in (as from 1 January 2019), the OCR for de Volksbank is equal to 14.5%, of which 11.0% CET1 capital
- De Volksbank's aims at a CET 1 ratio of more than 15%. This target includes a management buffer and takes into account the Pillar 2 Guidance following from the SREP, on top of the CET1 part of the OCR

With a CET1 ratio of 32.6% and a total capital ratio of 37.6%, de Volksbank amply meets the SREP requirements

The OCR consists of a Pillar 1 own funds requirement of 8.0%, a Pillar 2 CET1 requirement of 3.0% and a Combined Buffer Requirement (CBR) of 1.75%. The CBR to be held in CET1 capital consists of a capital conservation buffer, a buffer for Other Systemically Important Institutions (O-SII buffer) and a countercyclical capital buffer. The capital conservation buffer is equal to 1.25% per 1 January 2017 and will increase with 0.625% per annum until 2.5% per 1 January 2019. The O-SII buffer for de Volksbank is equal to 0.5% per 1 January 2017 and will increase by 0.25% per annum, up to 1% in 2019. The countercyclical capital buffer for the Netherlands has been set at 0%

# De Volksbank is well positioned to meet the MREL requirement

## MREL ratio



- Including all MREL-eligible liabilities, the non-risk weighted MREL ratio amounts to 8.1%
- The non-risk weighted MREL ratio including only eligible liabilities subordinated to unsecured liabilities amounting to 6.3%
- In February 2017, the SRB confirmed that it supports the designation of de Volksbank N.V. as the resolution entity (OpCo funding model)
- De Volksbank closely monitors developments and plans to strengthen and diversify its capital structure accordingly
- In the years ahead, it is expected that de Volksbank will issue an amount of ~€1.2bn in senior resolution notes (non-preferred senior debt) that are junior to other senior notes, but have priority over Tier 2 notes

[1] The final MREL requirement, transition period and definition of eligible liabilities specific to de Volksbank have not yet been communicated

# Overview credit ratings of de Volksbank

## Standard & Poors

### Rating overview

Anchor	BICRA (3,3)	bbb+
Business position	Moderate	-1
Capital & earnings	Very strong	+2
Risk position	Moderate	-1
Funding Liquidity	Average Adequate	0

**SACP** **bbb+**

Sovereign support 0

ALAC Support +1

**Issuer Credit Rating** **A-/Sta**

**7 June 2017** – “The upgrade of De Volksbank is underpinned by our view of the bank's gradual franchise recovery and the enhanced predictability of its revenues. The upgrade reflects our anticipations that the bank will be able to marginally grow its mortgage loan book while preserving its margins in the next two years.”

“De Volksbank's capitalization remains exceptionally strong for a commercial bank...”

“The stable outlook on De Volksbank reflects our view that the bank's commercial franchise will continue to recover. We also factor in our assumption that the bank will deliver stable recurring earnings and maintain a very strong capital policy over the next two years.”

## Moody's

### Rating overview

Macro profile	Strong +
Solvency score	a3
Liquidity score	baa1
Financial profile	a3
Adjustments	-1

**Assigned adj. BCA** **baa2**

LGF analysis 0

Government support +1

**Senior Unsecured rating** **Baa1/Pos**

**22 November 2016** – “The upgrade of SNS Bank's BCA to baa2 from baa3 reflects primarily the bank's improved credit fundamentals. ...SNS Bank has improved its asset risk, as reflected in a cost of risk of less than 10 basis points over the last two years. SNS has a strong capital base. The State-owned bank's successful return to capital markets in October 2015 allowed it to diversify its funding sources. Looking to the future, the bank will continue to be constrained by its mono-line business and lack of diversification, which is reflected in a negative qualitative adjustment to its BCA.”

“The outlook on SNS Bank's long-term deposit and debt ratings is positive, reflecting the potential for a further increase in the bank's BCA.”

## Fitch

### Rating overview

Viability rating	bbb+
Support rating floor	No floor

**Issuer Default Rating** **BBB+/Pos**

**24 February 2017** – “The Outlook revision reflects Volksbank's improved asset quality, solid capitalisation and Fitch's expectation that the bank will maintain conservative underwriting standards while delivering stable and sound operating profitability. The ratings also factor in the bank's concentrated franchise, which focuses on Dutch mortgage lending”

“An upgrade is contingent upon successful execution of the bank's strategy, demonstrated resilience of the business model through delivering very strong financial metrics, and continued adherence to a conservative risk appetite. The Outlook would likely be revised back to Stable if these expectations are not met”

# De Volksbank capital market transactions

## Tier 2

Issue Rating:	BBB- (S&P), Baa3 (Moody's), BBB (Fitch)
Coupon:	3.750%
Maturity:	10 years (10NC5)
Maturity date:	5 November 2025
Size	€ 500,000,000
Spread:	Mid-swaps + 365bps

## Covered bond

Issue Rating:	Aaa (Moody's), AAA (Fitch)
Coupon:	0.750%
Maturity:	15 years
Maturity date:	24 October 2031
Size	€ 500,000,000
Spread:	Mid-swaps + 9bps

## Covered bond

Issue Rating:	Aaa (Moody's), AAA (Fitch)
Coupon:	0.750%
Maturity:	10 years
Maturity date:	18 May 2027
Size	€ 500,000,000
Spread:	Mid-swaps + 3bps

## Several privately placed covered bonds

Issue Rating:	Aaa (Moody's), AAA (Fitch)
Coupon:	-
Maturity:	16 – 20 years
Maturity date:	-
Total size	€ 221,000,000
Spread:	-

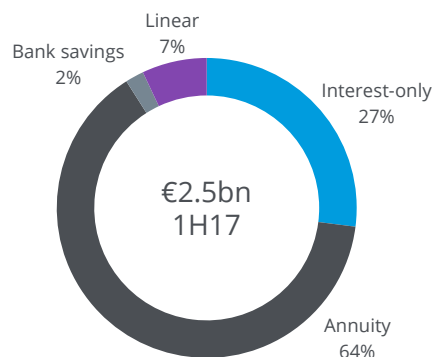
# Quality of retail mortgage loans

in € millions	2H14	1H15	2H15	1H16	2H16	1H17
Gross loans	46,556	45,822	45,044	44,960	44,911	45,295
Loans in arrears	2,014	1,826	1,317	887	682	527
Non-default loans	657	564	396	270	260	200
Impaired default loans	1,357	1,262	921	617	422	327
Specific provision	266	261	207	132	80	57
IBNR provision	60	53	50	42	34	27
Total provision	326	314	257	174	114	84
Impairment charges	80	34	--	-40	-65	-18
Additions	75	81	16	32	35	20
Write-offs	55	47	61	49	82	14
Loans in arrears (%)	4.3%	4.0%	2.9%	2.0%	1.5%	1.2%
Impaired ratio	2.9%	2.8%	2.0%	1.4%	0.9%	0.7%
Coverage ratio <sup>1</sup>	19.6%	20.7%	22.5%	21.4%	19.0%	17.4%
Total provision as a % of loans in arrears	16.2%	17.2%	19.5%	19.6%	16.7%	15.9%
Total provision as a % of gross loans	0.70%	0.69%	0.57%	0.39%	0.25%	0.19%
Impairment charges as a % of avg. gross loans	0.34%	0.15%	0.00%	-0.18%	-0.14%	-0.08%

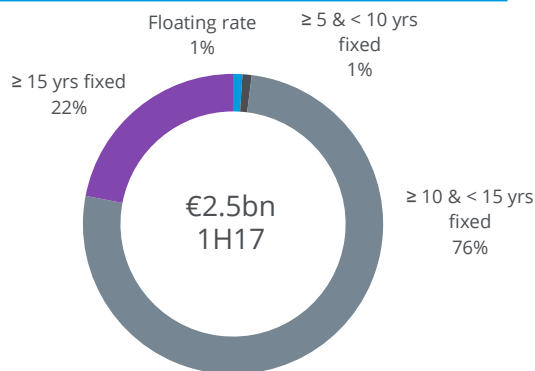
[1] Specific provision as a % of impaired default loans

# Retail mortgage production

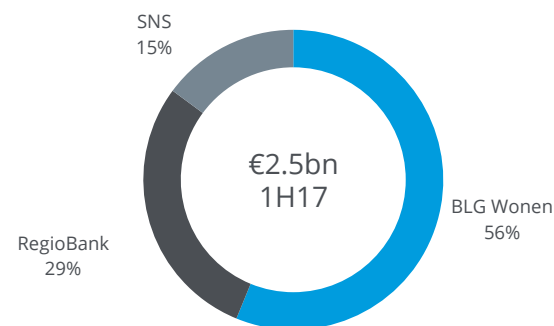
Retail mortgage production  
by redemption type



Retail mortgage production  
by interest type



Retail mortgage production by  
brand on own book

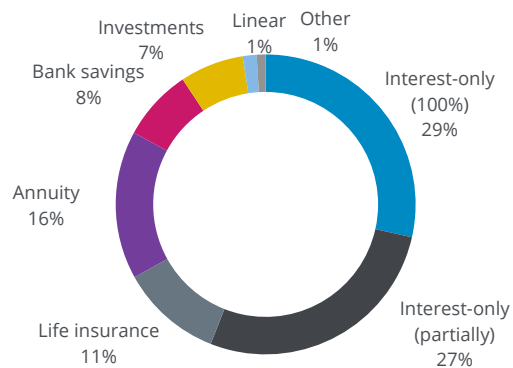


- In 2H16, RegioBank and SNS introduced more sophisticated LtV buckets in their pricing policy, enabling more diversified pricing. BLG Wonen will follow this initiative in 2H17
- 64% of new retail mortgages are annuity mortgages, mainly driven by a change in fiscal treatment. Only new annuity or linear mortgages benefit from tax deductibility of the interest paid
- 27% of retail mortgage production are interest-only mortgages due to the refinancing/conversion of loans originated before 2013
- Strong demand for longer term fixed-rate period mortgages
- All brands contributed to the increase in new retail mortgages

# Retail mortgage portfolio

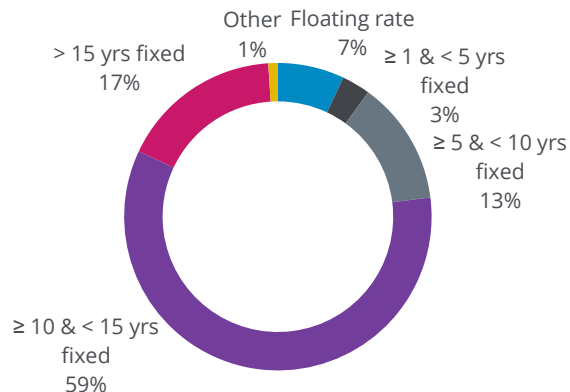
## Retail mortgages by redemption type

1H17: €44.8bn<sup>1</sup>



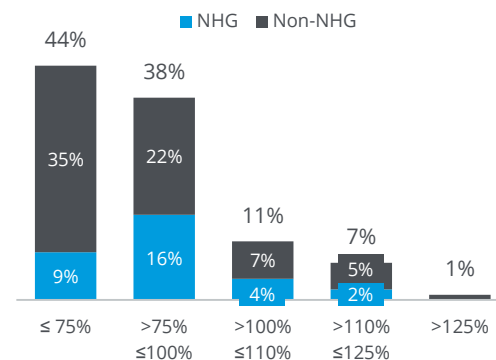
## Retail mortgages by interest type

1H17: €44.8bn<sup>1</sup>



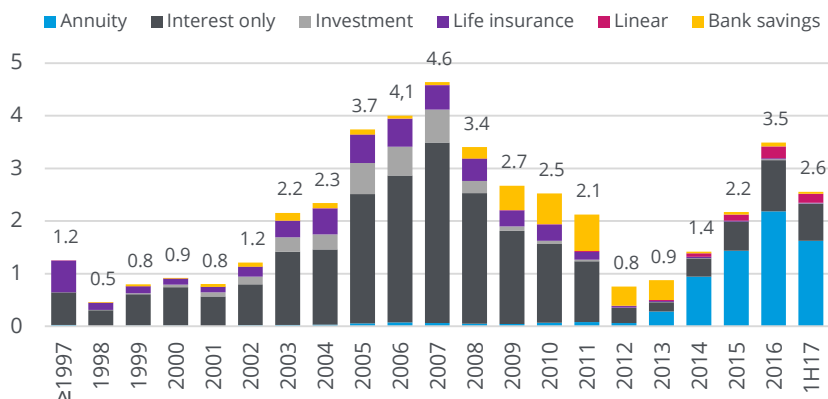
## Retail mortgages by LtV bucket

1H17: €42.8bn<sup>2</sup>



## Retail mortgages by year of origination

In € billions



- Approximately half of the total interest-only mortgages portfolio consists of 100% interest-only mortgages (29% of the total mortgage portfolio)
- 30% of the total mortgage portfolio is covered by NHG (National Mortgage Guarantee)
- The origination of de Volksbank's mortgage portfolio is tilted towards the 2005-2008 period

[1] Total net retail mortgage loans (€45.2bn) +/- provision (€0.1) -/- IFRS value adjustments (€0.4bn)  
 [2] Total net retail mortgage loans (€45.2bn) +/- provision (€0.1m) -/- IFRS value adjustments (€0.4bn), savings parts (€2.1bn)



# Quality of SME loans

in € millions	2H14	1H15	2H15	1H16	2H16	1H17
Gross loans	1,164	1,128	1,089	977	909	856
Loans in arrears	204	207	178	164	146	131
Non-default loans	-	-	-	-	-	-
Impaired default loans	204	207	178	164	146	131
Specific provision	123	118	95	79	70	64
IBNR provision	6	7	4	3	4	4
Total provision	129	125	99	82	74	68
Impairment charges	44	10	-3	-3	1	-3
Additions	59	12	24	7	5	7
Write-offs	15	13	27	14	12	4
Loans in arrears (%)	17.5%	18.4%	16.3%	16.8%	16.1%	15.3%
Impaired ratio	17.5%	18.4%	16.3%	16.8%	16.1%	15.3%
Coverage ratio <sup>1</sup>	60.3%	57.0%	53.4%	48.2%	47.9%	48.9%
Total provision as a % of loans in arrears	63.2%	60.4%	55.6%	50.0%	50.7%	52.7%
Total provision as a % of gross loans	11.1%	11.1%	9.1%	8.4%	8.1%	8.1%
Impairment charges as a % of avg. gross loans	3.65%	1.71%	-0.28%	-0.68%	-0.27%	-0.75%

[1] Specific provision as a % of impaired default loans

# Quality of retail other loans

in € millions	2H14	1H15	2H15	1H16	2H16	1H17
Gross loans	268	225	219	207	191	172
Loans in arrears	85	78	61	48	44	38
Non-default loans	15	12	13	4	4	2
Impaired default loans	70	66	48	44	40	36
Specific provision	52	50	33	28	25	23
IBNR provision	3	2	2	1	1	1
Total provision	55	52	35	29	26	24
Impairment charges	16	1	4	-2	1	1
Additions	17	3	8	2	1	2
Write-offs	7	4	24	4	5	3
Loans in arrears (%)	31.7%	34.7%	27.9%	23.2%	23.0%	22.1%
Impaired ratio	26.1%	29.3%	21.9%	21.3%	20.9%	20.9%
Coverage ratio <sup>1</sup>	74.3%	75.8%	68.8%	63.6%	62.5%	63.9%
Total provision as a % of loans in arrears	31.7%	66.7%	57.4%	60.4%	59.1%	63.2%
Total provision as a % of gross loans	20.5%	23.1%	16.0%	23.2%	13.6%	14.0%
Impairment charges as a % of avg. gross loans	5.7%	0.8%	1.8%	-1.9%	0.28%	0.73%

*Retail other loans is a non-selling portfolio*

[1] Specific provision as a % of impaired default loans

# Investment portfolio

## Breakdown by sector

In € billions

	2016	%	1H17	%
Sovereigns	4.7	79%	4.0	76%
Financials	0.7	12%	0.7	14%
Corporates	0.5	9%	0.6	11%
Other	0.0	0%	0.0	0%
<b>Total</b>	<b>5.9</b>	<b>100%</b>	<b>5.3</b>	<b>100%</b>
- of which liquidity portfolio	5.0		4.8	
- of which deposits	0.9		0.5	
- of which trading portfolio	0.0		0.0	

## Breakdown by rating

In € billions

	2016	%	1H17	%
AAA	2.7	45%	2.7	52%
AA	2.2	37%	1.9	36%
A	1.0	17%	0.7	12%
BBB	0.1	1%	0.0	1%
< BBB	0.0	0%	0.0	0%
No rating	0.0	0%	0.0	0%
<b>Total</b>	<b>5.9</b>	<b>100%</b>	<b>5.3</b>	<b>100%</b>

## Breakdown by maturity

In € billions

	2016	%	1H17	%
< 3 months	0.9	16%	0.5	10%
< 1 year	0.1	1%	0.0	1%
< 3 years	0.8	13%	0.8	14%
< 5 years	0.6	11%	0.7	13%
< 10 years	3.0	51%	2.9	54%
< 15 years	0.2	4%	0.3	6%
> 15 years	0.3	4%	0.1	2%
<b>Total</b>	<b>5.9</b>	<b>100%</b>	<b>5.3</b>	<b>100%</b>

## Breakdown by country

In € millions

	2016	%	1H17	%
Netherlands	1,294	22%	1,221	23%
Germany	1,350	23%	1,470	28%
Other <sup>1</sup>	1,544	25%	1,246	23%
France	945	16%	647	12%
Belgium	665	11%	586	11%
Italy	30	1%	29	1%
Ireland	120	2%	116	2%
Spain	0	0%	0	0%
<b>Total</b>	<b>5,948</b>	<b>100%</b>	<b>5,315</b>	<b>100%</b>

[1] Other mainly consists of Japan, Switzerland, Czech Republic, Austria and Luxembourg

# Profile

# De Volksbank profile

4<sup>th</sup>

bank in the Netherlands with  
over 3 million customers

de volksbank

asn  bank

 BLGwonen

RegioBank

 SNS



Mortgages

€45<sub>bn</sub>

market share  
6.7%



Savings

€37<sub>bn</sub>

market share  
10.7%



Payments

1.2<sub>m</sub>

current accounts

market share  
7.9%

A financially sound bank with a solid capital base

€177<sub>m</sub>

1H17 net profit

32.6%

1H17 CET1 ratio



4 distinctive brands  
that each serve their  
customers in the way  
that suits them best



Focus on Dutch retail  
customers



3 core services:  
mortgages, payments,  
savings



Single back office, strong IT  
organisation and central staff  
organisation

# Mission, ambition, profile & strategic priorities

## *Our Mission: Banking with a human touch*

### Our ambition

Optimising shared value by:



- creating benefits for customers,



- taking responsibility for society,

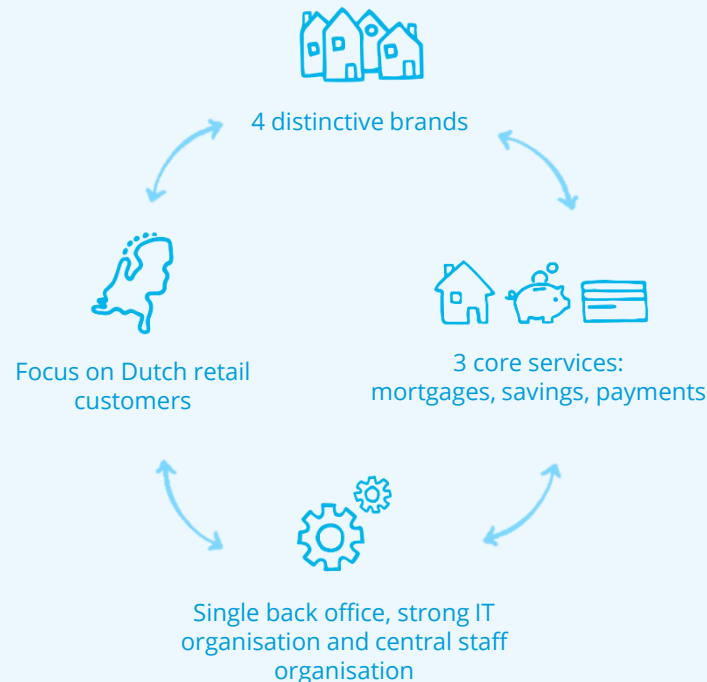


- providing meaning for our employees and



- achieving adequate returns for our shareholder(s).

### Profile



### Strategic priorities



Strengthen our social identity

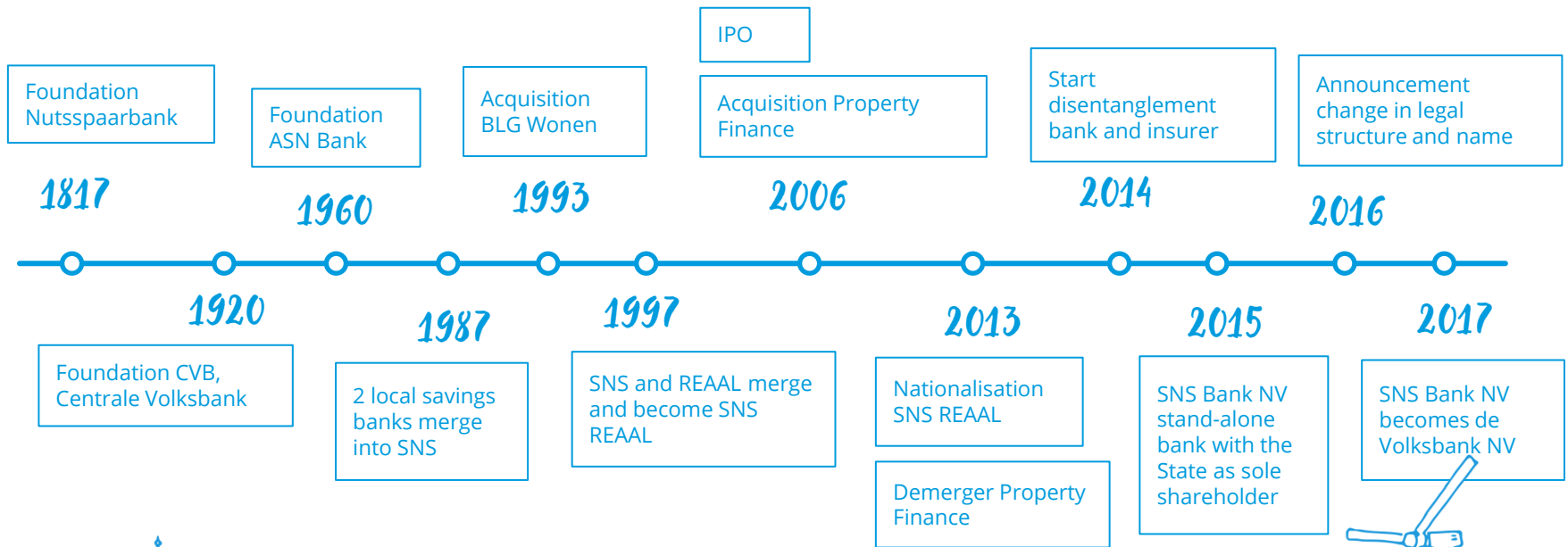


Further simplify and enhance the efficiency of our business operations



Continue to develop towards a flexible organisation that innovates as a smart adopter

# Embedded in Dutch society



# de volksbank

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