

# de volksbank

## Integrated Annual Report 2023



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## About this report

Our **Integrated Annual Report 2023** (IAR) provides information on the bank's financial and non-financial performance in compliance with statutory requirements. It sets out how we dealt with opportunities and risks in 2023 and how we created value for our customers, society, our employees and our shareholder.

This IAR 2023 consists of:

- The Report of the Executive Board, including:
  - Introduction
  - Strategy and performance
  - Sustainability statements
  - Leadership and governance (excluding the Report of the Supervisory Board)
  - Risk management
- The Report of the Supervisory Board (included in the chapter on Leadership and governance)
- Financial statements
- Other information

In addition to the IAR, we also provide the **Pillar 3 Report 2023**, containing the mandatory reporting on capital requirements and risk management ensuing from the European Capital Requirements Regulation (CRR).

Our IAR 2023 is our primary statutory and regulatory reporting disclosure. The financial information in the financial statements has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU IFRS).

Moreover, the financial information meets the requirements as set out in Title 9, Book 2 of the Dutch Civil Code.

Capital metrics and risk positions for 2023 and comparative figures for 2022 are reported under the Basel III framework (CRD IV/CRR). Information on Pillar 3 (part of the CRR) can be found in a separate report on our [website](#).

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

This IAR 2023 is available in English only. Our financial reporting currency is the euro (€). Throughout this report, the material topics are identifiable by MT icons and our key performance indicators by KPI icons.

## Adjusted measures

We supplement our IFRS figures with internally used non-IFRS measures that constitute alternative performance measures under European Securities and Markets Authority (ESMA) guidance and non-GAAP financial measures. For more details, see Section [Reconciliation of alternative performance measures](#).

## European Single Electronic Reporting Format (ESEF)

The PDF/printed version of our IAR 2023 has been prepared for ease of use, this includes the audited financial statements thereto pursuant to article 361 of Book 2 of the Dutch Civil Code. The official IAR 2023 was made publicly available pursuant to section 5:25c of the Dutch Financial Supervision Act (Wet op het financieel toezicht, Wft), and was filed with the Netherlands Authority for the Financial Markets in European Single Electronic Reporting Format (the ESEF package). The ESEF package is available on our website. In case of any discrepancies between this PDF version and the ESEF package, the latter prevails.





# Introduction

# The best of 2023



## VISIT BY SIGRID KAAG, FORMER MINISTER OF FINANCE

De Volksbank hosted a special guest on 27 February: former finance minister Sigrig Kaag paid a working visit to two of our locations. She was accompanied by senior ministry of finance officials and a representative of NLFi, our shareholder. At the SNS Shop in Voorburg, she discussed the importance of a bank that gives personal attention to its customers and that has plenty of branches. At ASN Bank in The Hague, she discussed various issues that we are working hard for as a bank; sustainability, housing accessibility, financial care and an inclusive society.



## NATIONAL MONEY WEEK

By now a tradition, every year in March. Money week in 2023, the year in which Eurowijjs - our teaching programme for young children - celebrated its 10th anniversary, was again packed with financial education. With no fewer than 1,000 guest lessons, 375 Bank voor de Klas guest lessons, a workshop especially for parents and a visit by a school class to our headquarters in Utrecht.

**300,000**  
children received  
the teaching materials

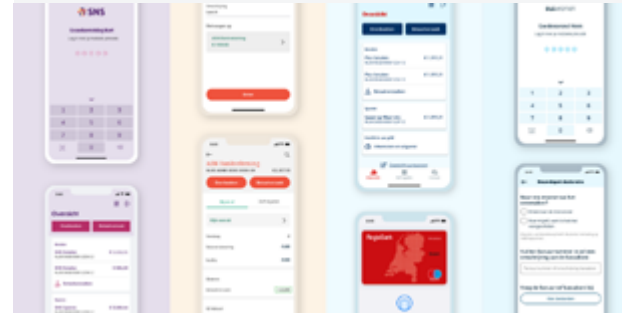
## SPECIAL CAMPAIGN FOCUSING ON LOCAL ENTREPRENEURS

A community in which people can live and work pleasantly is important. Because, if you ask RegioBank, a more pleasant society starts in your own community. And that is precisely where entrepreneurs play an important role. As a socially engaged bank, RegioBank was happy to give local entrepreneurs the attention they deserve in a special campaign.



## NEW APP FOR ALL BRANDS

As from April 2023, all customers of SNS, ASN Bank, RegioBank and BLG Wonen were able to use a renewed app. This is important, as a good app directly contributes to a stronger customer relationship. Besides the app getting a fresh new look and working faster, we also improved existing features and added new ones.



## PEOPLE FIRST. THEN MONEY.

That was the name of SNS's campaign launched on 1 February. The clear message of the campaign is that SNS does not put money first, but puts people first. That it is about who you are. And what you want to get out of life. That is why SNS does not look at people's salary or bank statements first; instead, SNS looks at people, their plans and the challenges that come with them.

## SUSTAINABLE WINTER WEEK

Last year, the group of people with financial worries grew due to factors such as risen energy prices and high inflation. As a digital bank, The Hague-based ASN Bank opened its doors for a week to anyone in need of a listening ear. In addition to providing ample opportunity for some good conversation, there was a programme full of workshops on sustainability and energy efficiency.



**QUESTIONS THAT CALL FOR A PEOPLE'S BANK, IN OTHER WORDS, A VOLKSBANK**

"Why can't we get a mortgage, even though we pay a super high rent?" is one of the questions that came up in 2023 in de Volksbank's TV commercials. This campaign was launched in September and showed sincere portraits of people calling for change. With critical questions about social issues that they - and lots of others - face. And for which de Volksbank, together with its four bank brands, is working on solutions.



**THIRD NATIONAL VILLAGE SUMMIT**

On 15 June, RegioBank organised the third edition of the annual National Village Summit to highlight the importance of all rural areas in the Netherlands. This time in the Frisian village of Warten. Local entrepreneurs, national and local politicians, administrators and academics discussed liveability in these less populated areas.

**ONCE AGAIN MOST CUSTOMER-FRIENDLY BANK**

According to consumers, de Volksbank's bank brands ASN Bank, RegioBank and SNS are the three most customer-friendly banks in the Netherlands, for the second year in a row. This score was revealed in May after a large independent survey by MarketResponse. Like last year, our bank brands occupied the complete top-3 podium positions, this time with ASN Bank holding the number 1 position.



**BOOK OF GROWTH OPPORTUNITIES**

SNS published the book 'Young shoulders', in which the growth opportunities for young adults in the Netherlands are explored. What financial challenges do they face? And what can be done about them?



**SIGNATURES FOR A LIVING WAGE**



**ASN BANK MANAGED TO COLLECT OVER 240,000 SIGNATURES FOR THE EUROPEAN CITIZENS' INITIATIVE FOR A LIVING WAGE IN THE GARMENT INDUSTRY, AN INITIATIVE LAUNCHED BY ASN BANK.**

**Verbouwen, verhuizen of verduurzamen?**

Het is nooit te laat om te investeren in de toekomst. Je hebt meer in huis dan je denkt.



**HOUSING NEEDS IN LATER LIFE**

In May and June, a BLG Wonen campaign encouraged people over the age of 57 to start thinking about their housing needs later in life. Would they adapt their home, move or make it sustainable, for example? Downsize to a smaller home? Or split their home to give their child(ren) or another first-time home-buyer a chance to obtain an affordable home. Many situations and just as many possibilities!

**HIGH SCORES IN THE FAIR BANK GUIDE**

In May 2023, de Volksbank scored highest on all surveyed themes. This independent assessment method shows how sustainable banks are on the basis of their ESG policies. These high scores are an extra motivation to continue to work on our sustainability policy and its implementation. This is how we make even more positive sustainable impact.

Sustainability policy ratings of eight banks

|                 | EerlijkeBankwijzer | ASN Bank | Bank | de Volksbank | ING | NIBC | ABN-Amro | Handelsbanken | Postbank |
|-----------------|--------------------|----------|------|--------------|-----|------|----------|---------------|----------|
| Taxes           | 3                  | 3        | 9    | 4            | 5   | 5    | 7        | 6             |          |
| Animal welfare  | 5                  | 5        | 9    | 5            | 4   | 7    | 9        | 2             |          |
| Gender equality | 5                  | 6        | 8    | 4            | 5   | 4    | 5        | 4             |          |
| Climate change  | 4                  | 8        | 10   | 5            | 10  | 7    | 9        | 5             |          |
| Human rights    | 8                  | 9        | 10   | 7            | 9   | 8    | 10       | 8             |          |
| Nature          | 6                  | 7        | 10   | 6            | 10  | 8    | 9        | 8             |          |
| Weapons         | 6                  | 9        | 10   | 5            | 9   | 7    | 10       | 8             |          |

● Very good ● Enough ● Mediocre ● Bad ● Very bad



### HOUSING DEBATE

To discuss housing issues and, above all, to look at possible solutions, BLG Wonen once again organised the Housing Debate in 2023. This year's theme was 'Is tied accommodation the new term of employment?': what can employers do to help reduce the current housing shortage of 390,000 homes?



### COMMUNITY WISHES

December was marked by RegioBank's annual Make-a-Community-Wish campaign: what wish do people want to come true for their community? Anyone could submit a wish for a better living environment, with a chance of the wish being granted. Think of a much-needed community centre facelift, a nice playground or a duo bike for less mobile residents, each of which came true in previous years. Thanks to the help of local residents, RegioBank, their independent advisers and partners.



### SNS CELEBRATES ATTENTION DAY

Thursday 28 September 2023 marked Attention Day; a day on which SNS showed what every day is really about: genuine attention for every person, personally and close by. Because that way, they can really help customers move ahead.

A special bus journeyed across the country to surprise customers who deserved some extra attention because of a special story. In all SNS shops, Attention day was also celebrated together with customers. And during a special show in Tivoli Vredenburg Music Centre, some customers were treated to an inspiring evening dedicated to the search for happiness.



### BLG WONEN AND ASN BANK TOGETHER AT MORTGAGE TRADE SHOW

On 5 October, BLG Wonen and ASN Bank employees were together for the first time at HypoVak, a leading mortgage trade show for over 1,500 mortgage advisers and other professionals from the financial sector. There - naturally from a sustainably-built stand full of greenery - they spoke to visitors about the developments in the Dutch housing market, as well as about what their joint mortgage products could mean for customers and society alike.



### SUSTAINABLE VOTER'S GUIDE

In the run-up to the general elections on 22 November, ASN Bank launched the Sustainable Voter's Guide in October. After all, only one in five voters had a good idea of where political parties stood on sustainability. More than 88,000 people viewed this voter's guide for a 'green vote' before going to the polls.



### BEST BANK

Every year, 13,000 Dutch people are asked by the Dutch Consumers' Association what they think of their bank. Respondents give their opinion on online and mobile banking, banking fees and charges, communication and service. RegioBank once again emerged as the best bank in the Netherlands, for the seventh time in a row. ASN Bank and SNS finished in second and fourth place respectively.



Source: bankenmonitor 2023



### BESPAARHYPOTHEEK

As from September, SNS, RegioBank and BLG Wonen offer the *Bespaarhypotheek*; we introduced this new product to help customers finance a home or sustainable plans. We offer an attractive mortgage rate if customers own or buy an energy-efficient home with energy-efficiency rating B or higher. The interest rate of this mortgage automatically decreases when customers repay their mortgage or make their home more energy efficient, thus saving on both their energy costs and their mortgage rate.

# Company profile

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



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

## RegioBank

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



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



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

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



### EMPLOYEES

**4,407**  
FTE of which  
**3,449** internal



### CUSTOMERS

**> 3.26 m**



**193**  
SNS Shops

**1,508,000**  
customers



**802,000**  
customers



**425**  
branch offices

**698,000**  
customers



**> 3,000**  
independent  
advisers

**249,000**  
customers



### MORTGAGES

**€ 49.2bn**

market share  
new production 5.7%

### CURRENT ACCOUNT CUSTOMERS

**2,004,000**

market share of new current  
accounts 22.4%

### SAVINGS

**€ 43.6bn**

market share 9.5%

### ASSETS UNDER MANAGEMENT

**€ 4.2bn**

### SME LOANS

**€ 1.24bn**



## Foreword from the CEO

Martijn Gribnau, Chair of the Executive Committee of de Volksbank

"The year 2023 was marked by even more geopolitical volatility and uncertainty than 2022. These tensions continued to impact the global economy, most notably GDP growth, energy prices and inflation rates. To control inflation, the European Central Bank maintained its restrictive monetary policy, raising the deposit facility rate to 4%. On the one hand, this contributed to a slowdown in inflation, which had soared in 2022, but on the other hand also acted as a brake on economic growth. In the Netherlands, despite economic growth coming to a virtual standstill, unemployment remained very low and contract wages increased. The housing market downturn continued as the number of transactions declined. As to house prices, a hesitant decline was short-lived and in the course of the year prices started to rise once more, mainly due to the structural housing shortage.

Against this backdrop, 2023 marked the third year of the execution of our strategic plan for the period 2021-2025, entitled 'Better for each other - from promise to impact'. In this plan we have set ourselves two main objectives for 2025: to be the bank with the strongest customer relationship in the Netherlands and to have a substantial and measurable positive impact on society. Simultaneously, we need to make our operations more efficient and robust.

In the past year, initiatives to improve customer relationships included the roll-out of a new banking app and the successful introduction of the Bespaarhypotheek with an automatically decreasing interest rate when more repayments are made or the home is made more sustainable. Our brands also organised and participated in various events to engage with customers and other stakeholders, for example the National Village Summit organised by RegioBank, the Growth Opportunities Debate organised by SNS, and ASN Bank's and BLG Women's participation in the annual mortgage event HypoVak.

Our efforts paid off: in line with our ambition, the number of active multi-customers rose by 7% to 1.2 million. And in May 2023, in the 'most customer-friendly bank' survey conducted by MarketResponse, our brands ASN Bank, RegioBank and SNS, ranked 1, 2 and 3 for the second year in a row. However, despite these fine rankings, the average Net Promoter Score and the Customer Relationship Score of our brands remained unchanged compared to year-end 2022.

To improve our impact on society, one of the objectives we have set is to achieve a climate-neutral balance sheet of at least 75% by 2025. In 2023, this score, measured using the PCAF methodology, already improved to 75%, up 13 percentage points, as a result of an increase in purchased climate bonds and investments in renewable energy projects, improved data quality and updated emission factors.

I am proud that de Volksbank has recently been included in Sustainalytics' 2024 list of ESG Top-Rated Companies on the basis of our 2023 ESG Risk Rating. Furthermore, we ranked first in the most recent survey by the Fair Bank Guide, with a score of nine out of ten on seven ESG themes. The above reflects that we attach great importance to our role as a social bank.

In our Interim Financial Report 2023, we announced that De Nederlandsche Bank (DNB) has concluded that de Volksbank does not adequately identify and assess its risks related to money laundering, the financing of terrorism and integrity. Therefore DNB imposed an instruction to remediate our Systematic Integrity Risk Analysis (SIRA) by 1 April 2024. We recently requested DNB for an extension of the deadline to 1 August 2024, which will allow us to finalise the SIRA and meet all detailed requirements. This request is pending. DNB also announced its intention to start a procedure to impose an administrative fine. As combating financial crime has our highest priority, we have substantially scaled up our efforts to remedy the identified shortcomings. Remediation activities will continue to be carried out in the course of 2024 and following years.

Moreover, to reinforce the safeguarding of KYC-related measures within the Executive Committee, we created the position of Chief Financial Crime Officer (CFCO) as from 1 November 2023. The recruitment process for the CFCO position is well underway. Consequently, the position of Chief Transformation Officer (CTO), previously also responsible for the KYC domain, ceased to exist. By mutual agreement, Marjolein de Jongh resigned from her duties as CTO as from November 2023.

Our focus on making our operations more robust and efficient required sometimes far-reaching changes in our organisation. Still, the 2023 'genuine attention for employees' score remained high at 7.7, up slightly compared to the 7.6 in 2022, and above our objective of at least 7.5. In October 2023, de Volksbank signed the Diversity Charter of the Social and Economic Council of the Netherlands. Around the same time, we published a new version of our Diversity, Equity and Inclusion Policy, embracing the principle of equal opportunities throughout the organisation.



We achieved solid business and excellent financial results in 2023, taking into account the geopolitical turbulence and the significantly changed interest rate environment. Higher mortgage rates not only led to a decrease in new mortgage production, but also to lower repayments. On balance, our residential mortgage portfolio grew by € 0.9 billion to € 49.2 billion and our market share in new mortgage production improved slightly to 5.7%. SME loans grew by € 150 million to € 1.2 billion. Retail savings decreased by € 0.9 billion to € 43.6 billion, corresponding to a market share of 9.5%, compared to 10.4% in 2022. Driven by higher stock markets, assets under management increased by € 0.3 billion to € 4.2 billion.

Our net profit rose by € 240 million to € 431 million in 2023, as a sharp increase in total income more than compensated for a strong increase in operating expenses.

Return on equity improved to 11.4%, compared to 5.2% in 2022, which is well above our target of 8% for 2025.

Total income rose by 47% to € 1,414 million. Net interest income was 53% higher at € 1,303 million, primarily due to higher margins on retail deposits as a result of increased external interest rates. In a competitive domestic market environment, margins on mortgages were virtually stable. Net fee and commission income was up 25% to € 64 million, mainly driven by higher fees for basic banking services. Other income decreased by 25% to € 47 million, as higher treasury results were more than offset by realised losses on the investment portfolio and financial instruments, compared to a substantial gain on swaptions in 2022.

Total operating expenses were 23% higher at € 808 million. The increase was mainly driven by wage inflation, an increase in hired staff and substantial investments related to customer integrity, banking regulations and our IT foundation. The basis of comparison was also affected by a release of the 'agile' restructuring provision of € 23 million in 2022. Regulatory levies declined by € 27 million to € 42 million, mainly due to a lower contribution to the Deposit Guarantee Scheme. Despite the increase in operating expenses, the cost/income ratio improved to 57.1% (2022: 67.9%), within our 57-59% target range for 2025.

Total impairment charges fell by 71% to € 15 million, with residential mortgages, SME loans and other corporate loans all contributing to the decline. The actual incurred losses of residential mortgages and SME loans remained very low, evidencing the high credit quality of our loan portfolio and the resilience of Dutch house prices.

Our capital position continued to be strong. The CET1 capital ratio remained virtually unchanged at 20.2% compared to 20.3% at year-end 2022, as an increase in core capital was offset by higher risk-weighted assets. The leverage ratio improved from 4.7% to 5.1% due to a higher capital level and a lower balance sheet total. In

the first half of 2023, we successfully executed two issuances of green senior non-preferred notes of € 500 million each, which means we now meet the binding MREL subordination requirement as from 1 January 2024. Our liquidity position also remained strong, as reflected in our LCR of 262%, compared to 233% at year-end 2022.

We have revised the objective for our CET1 capital ratio from at least 19% to at least 17%, now applying a lower management buffer given the reduced uncertainty regarding the impact of Basel IV implementation on our capital position.

For 2023, we propose a dividend payment of € 164 million, which corresponds to a pay-out of 40% of the net profit attributable to the shareholder.

In December 2023, we announced two changes to the Executive Committee as Jeroen Dijst, our CRO, and I informed the Supervisory Board that we will not seek a third and second term, respectively, after completion of our current terms at the General Meeting of Shareholders scheduled in April of 2024. The recruitment process for the succession of both positions is progressing well.

Going forward, total income, and in particular our net interest income, will remain highly sensitive to the ECB's interest rate policy. With interest rates expected to trend down somewhat in the course of the year, we expect net interest income in 2024 to be below the level of 2023. As we will continue to make the necessary investments to improve the quality of our operations, we expect operating expenses, excluding regulatory levies, to be in line with 2023. Regulatory levies are set to decline and we project impairment charges to remain low. All things considered, we expect the net profit for 2024 to be lower than for 2023.

In the period ahead, we will continue to give priority to further improving the financial and operational robustness of our bank, with cost control high on the agenda. This should go hand in hand with the realisation of our strategy to be the bank with the strongest customer relationship and a proven social impact. I would like to thank our customers for their trust in our bank and our employees for their commitment and contribution to the results."

## Key figures

### Strategic objectives and other performance indicators

|                                     | 2023  | 2022  | 2021   | 2020  | 2019   |
|-------------------------------------|-------|-------|--------|-------|--------|
| <b>Customers</b>                    |       |       |        |       |        |
| Customer weighted average NPS       | -1    | -1    | 6      | 2     | 0      |
| Active multi-customers (in 1,000)   | 1,164 | 1,087 | 1,015  | 949   | 899    |
| Customer Relationship Score (KRS)   | 53    | 53    | 56     | n.a.  | n.a.   |
| <b>Society</b>                      |       |       |        |       |        |
| Climate-neutral balance sheet       | 75%   | 62%   | 55%    | 45%   | 44%    |
| <b>Employees</b>                    |       |       |        |       |        |
| Genuine attention                   | 7.7   | 7.6   | 7.8    | 7.9   | 7.7    |
| <b>Shareholder</b>                  |       |       |        |       |        |
| Return on Equity                    | 11.4% | 5.2%  | 4.7%   | 5.1%  | 7.7%   |
| <b>Other objectives</b>             |       |       |        |       |        |
| Cost/income ratio                   | 57.1% | 67.9% | 80.7%  | 70.6% | 61.8%  |
| Basel IV fully loaded CET1 ratio    | 21.1% | 20.2% | 22.5%  | 24.2% | 23.6%  |
| Leverage ratio                      | 5.1%  | 4.7%  | 5.1%   | 5.2%  | 5.1%   |
| <b>Other performance indicators</b> |       |       |        |       |        |
| Actual CET1 ratio                   | 20.2% | 20.3% | 22.7%  | 31.2% | 32.6%  |
| Total capital ratio                 | 25.0% | 25.5% | 26.3%  | 36.1% | 37.8%  |
| Loan-to-deposit ratio               | 95%   | 90%   | 86%    | 92%   | 102%   |
| Net interest margin                 | 1.80% | 1.15% | 1.11%  | 1.30% | 1.37%  |
| Cost of risk total loans            | 0.03% | 0.08% | -0.12% | 0.08% | -0.01% |

### Balance sheet

| in € millions                    | 2023   | 2022   | 2021   | 2020   | 2019   |
|----------------------------------|--------|--------|--------|--------|--------|
| Balance sheet total              | 71,060 | 73,168 | 72,081 | 67,484 | 62,841 |
| Loans and advances to customers  | 50,847 | 48,966 | 50,570 | 50,542 | 50,461 |
| - of which residential mortgages | 47,767 | 46,134 | 47,945 | 47,697 | 48,090 |
| Amounts due to customers         | 54,910 | 57,150 | 58,128 | 53,652 | 49,045 |
| - of which savings               | 43,623 | 44,501 | 45,681 | 42,111 | 38,404 |
| Debt certificates                | 7,935  | 7,544  | 7,402  | 6,119  | 6,906  |
| Total equity                     | 4,091  | 3,708  | 3,486  | 3,450  | 3,435  |

### Profit and loss account

| in € millions                              | 2023         | 2022       | 2021       | 2020       | 2019       |
|--|--------------|------------|------------|------------|------------|
| Net interest income                        | 1,303        | 851        | 775        | 850        | 875        |
| Net fee and commission income              | 64           | 51         | 39         | 46         | 51         |
| Other income                               | 47           | 63         | 13         | 27         | 3          |
| <b>Total income</b>                        | <b>1,414</b> | <b>965</b> | <b>827</b> | <b>923</b> | <b>929</b> |
| Operating expenses excl. regulatory levies | 766          | 586        | 588        | 602        | 533        |
| Regulatory levies                          | 42           | 69         | 79         | 50         | 41         |
| <b>Total operating expenses</b>            | <b>808</b>   | <b>655</b> | <b>667</b> | <b>652</b> | <b>574</b> |
| Impairment of charges financial assets     | 15           | 52         | (58)       | 38         | (7)        |
| <b>Total expenses</b>                      | <b>823</b>   | <b>707</b> | <b>609</b> | <b>690</b> | <b>567</b> |
| <b>Result before taxation</b>              | <b>591</b>   | <b>258</b> | <b>218</b> | <b>233</b> | <b>362</b> |
| Taxation                                   | 160          | 67         | 56         | 59         | 87         |
| <b>Net result for the period</b>           | <b>431</b>   | <b>191</b> | <b>162</b> | <b>174</b> | <b>275</b> |
| Incidental items                           | -            | 17         | 17         | (34)       | -          |
| <b>Adjusted net result for the period</b>  | <b>431</b>   | <b>174</b> | <b>145</b> | <b>208</b> | <b>275</b> |

### Credit quality of residential mortgages

|  | 2023 | 2022 | 2021 | 2020 | 2019 |
|--|------|------|------|------|------|
| Weighted average indexed Loan-to-Value | 54%  | 51%  | 53%  | 61%  | 67%  |
| Stage 3 ratio                          | 1.0% | 0.9% | 1.1% | 1.2% | 1.1% |
| Loans in arrears (%)                   | 0.8% | 0.7% | 0.7% | 1.2% | 1.0% |

### ESG ratings and benchmarks

|                                 | 2023            | 2022      | 2021            | 2020      | 2019              |
|---------------------------------|-----------------|-----------|-----------------|-----------|-------------------|
| Sustainalytics ESG Risk rating  | 11.5/100        | 9.1/100   | 10.4/100        | 10.4/100  | 12.5/100          |
| ISS ESG                         | B (Prime)       | B (Prime) | B (Prime)       | B (Prime) | B (Prime)         |
| MSCI                            | AA              | AA        | AA              | AA        | A                 |
| Carbon Disclosure Project (CDP) | B               | B         | B               | C         | -                 |
| Transparency Benchmark          | 8 <sup>th</sup> | -         | 6 <sup>th</sup> | -         | 122 <sup>nd</sup> |
| Fair Bank Guide                 | 9.4             | -         | -               | 9.3       | 8.5               |

## Our operating environment

### Economic developments

#### Dutch economy

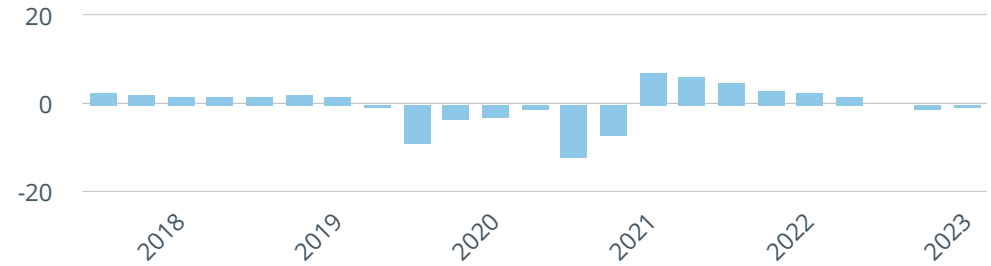
After two years of strong growth, the Dutch economy went through a phase of stagnation in 2023. The manufacturing industry in particular came under severe pressure as many companies were heavily exposed to the souring international economic climate and the resulting fall in world trade growth. The business services sector too, which had previously benefited from a post-Covid catch-up in demand, entered a tougher phase due to its relationship with manufacturing sectors. In combination with the earlier winding down of government support measures, this led to an average rise in the number of bankruptcies this year of 52% compared to 2022, according to Statistics Netherlands (CBS). Energy prices decreased markedly during 2023, but inflation remained elevated at an average rate of 3.8%, with food prices rising 12.1%, a development that dented consumers' purchasing power, especially that of lower-income groups. As a result, households reined in spending, although things turned for the better towards the end of the year, helped by a tight labour market and rising wages. On balance, the average unemployment rate increased by 0.1 percentage point, but it was still at a – historically – rather low level of 3.6% of the labour force, whereas growth of contractual wages doubled to 6%.

#### Interest rates and government bond yields

Inflation in the eurozone went down in 2023, but the decline was largely attributable to energy price developments. The underlying price pressure remained uncomfortably high and the ECB, whose primary objective is to maintain price stability – defined as a medium-term inflation rate of 2% – continued to increase policy rates. In the first nine months of the year, the deposit rate was raised six times by a total of 200 basis points (bps) to 4.0%. The tightening of the monetary policy strongly influenced the broader fixed-income market sentiment with bond yields showing an upward tendency in the first three quarters, notwithstanding a sharp fall in March as unexpected bankruptcies of a number of US regional banks and a forced takeover of Credit Suisse by UBS led to a 'safe haven' effect. The Dutch ten-year rate peaked at 3.32% in September. In the last part of the year, yields declined steeply on the back of reassuring inflation numbers and investors' perception that central banks would bring down rates speedily in the foreseeable future. Over the full year, the ten-year rate went down by 59 bps, to 2.32%. The decline in two-year rates was limited to 27 bps, to 2.40%. With these changes, the yield curve was inverted most of the year, a rather uncommon phenomenon.

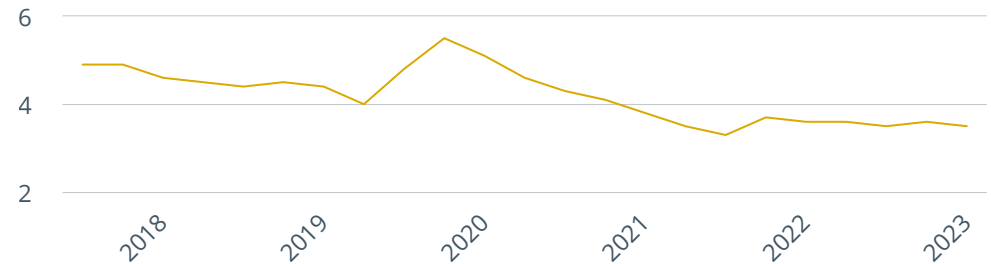
#### Gross domestic product Source: CBS

year-on-year change in %



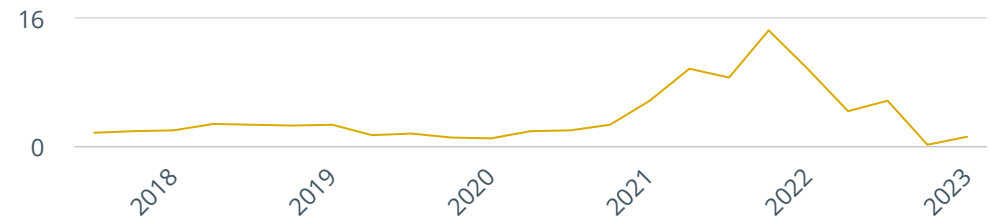
#### Unemployment Source: CBS

% of labour force



#### Inflation Source: CBS

year-on-year change Consumer Price Index (CPI) in %



### Housing and mortgage market

Due to the ongoing rise in mortgage rates, the cooldown of the housing market, which started in the summer of 2022, continued in the first part of the reporting period. However, a reversal set in during the year as strong wage growth in combination with high job security tipped the balance, while people also seemed to have drawn courage from the stabilisation of mortgage rates. Also, according to the Dutch Association of Estate Agents (NVM), the number of houses for sale remained rather low by historical standards, partly because completions of newly built homes were lagging behind.

Over the full year, house prices decreased by 2.8%, data of the Dutch Land Registry and Mapping Agency (Kadaster) shows, but with month-on-month rises since June. In the fourth quarter of 2023, prices were 0.6% lower compared to the same period last year, but according to the NVM, which measures prices earlier in the sales process, prices were up by 5.3%. Housing transactions dropped by 5.5%, with rather low levels at the beginning of 2023 in particular.

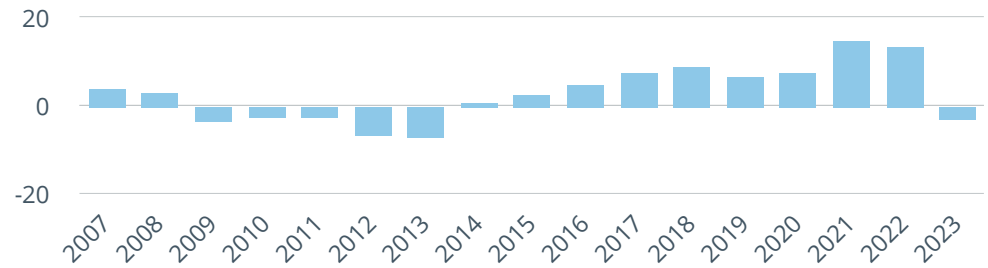
Mortgage applications, including remortgage applications, declined by 29.3% noted the Dutch Mortgage Data Network (HDN). The number of mortgage applications to purchase a home declined by 7.9%, but showed a year-on-year rise in the last quarter. Mortgage renewals decreased by 50.1%, as they were generally no longer financially attractive due to the higher interest rates compared to preceding years. The rise in interest rates also led to a strong rise in the number of transactions where homeowners transferred their current mortgage to their new property to take advantage of the applicable low mortgage rate.

### Savings market

Dutch retail savings grew by € 29 billion in 2023 to € 459 billion at year-end. The low level of consumer confidence in combination with higher savings rates offered by financial institutions may have been the most important factor underlying the steady rise.

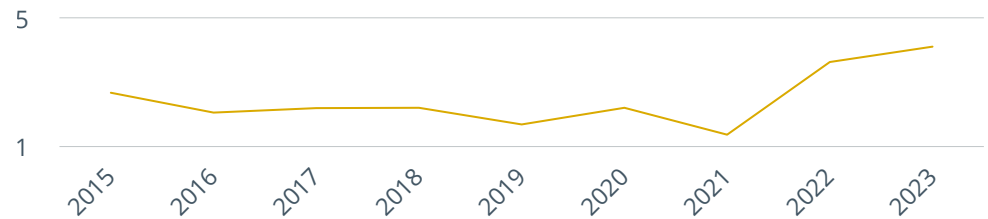
### House index prices Source: CBS

year-on-year change in %



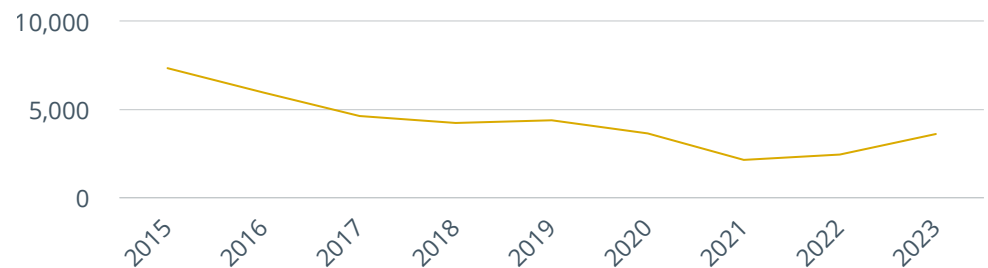
### Mortgage rate 5-10Y Source: DNB

in %



### Bankruptcies Source: CBS

In numbers



## Social and environmental developments

We are strongly committed to our role in society and acknowledge the impact of social and environmental developments on our operations and vice versa.

### Socio-political factors

After the Covid-19 pandemic, society was confronted with new geopolitical and macroeconomic factors, such as the Russia-Ukraine war and the conflict between Israel and Palestinians, and increased energy and raw material prices. At a national level, the affordability of, and accessibility to, housing, migration and nitrogen remained important topics in the socio-political debate, as was demonstrated by the Dutch general election results in November.

### Climate change

The effects of climate change are increasingly visible around the world. According to EU's Copernicus European Earth Observation Programme, 2023 was the warmest year ever recorded. The last IPCC synthesis report warned again that the chances to limit global warming to 1.5 degrees Celsius are becoming even slimmer. Globally, the pressure to combat climate change is increasing. The outcome of the COP28 UN Climate Change Conference in Dubai sent a strong message. An agreement was reached on i.a. phasing out fossil fuels and increasing the use of renewable energy. In the Netherlands, climate change is affecting the Dutch housing market and vice versa. Climate change increases the risk of property damage caused by flooding, drought and heat. While household energy consumption is responsible for a large part of the global CO<sub>2</sub> emissions. The risks arising from this can ultimately affect housing prices. Hence, it is important for financial institutions, investors, housing associations and homeowners to understand the climate risks of their housing stock. Apart from climate change, society is paying more attention to the global loss of biodiversity, also in the financial sector. De Volksbank continues its efforts to manage climate-related risks, combat climate change and have a positive effect on biodiversity.

## Regulatory environment

Banks are faced with an increasing number of laws and regulations at a national and European level and in all areas of their business, including customer interests, prudential supervision and sustainability. In this rapidly changing environment, it is both a challenge and a crucial for our business operations to make sure that we implement these regulations correctly and on time.

De Volksbank takes all reasonable measures to prevent money laundering and terrorist financing to protect the integrity and stability of the bank and the financial system in general. We consider the gatekeeper function to be an integral part of our business operations and we are determined to take all necessary steps to fulfil these gatekeeper responsibilities to which end we closely follow updated legislation. For more information on this topic, we refer to Section [4.3.3 Compliance risk - Customer integrity risk](#).

The proposed implementation date for the new regulations on capital requirements, known as Basel IV, the proposed is 1 January 2025. These new rules include the introduction of a capital floor based on standardised approaches, a revision of both the internal ratings based approach and the standardised approach for credit risk and new rules for operational and market risk. See Section [4.8.3 Developments in capital requirements](#) for more details.

EU regulators have also introduced new rules and regulations on sustainable reporting, including the Corporate Sustainability Reporting Directive (CSRD). These came into effect in 2023, with our first reporting requirement for the financial year 2024.

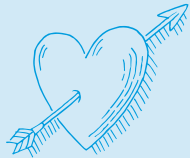
In the Section [2.4.4 Compliance with laws and regulations](#) we go into the most noteworthy laws and regulations in relation to customer interests, prudential supervision and sustainability that entered into force in 2023 and how we deal with their implementation.



Strategy and performance

# Better for each other – from promise to !mpact

## How we differentiate ourselves: two pillars



### Strong customer relationship

Personal customer approach through seamless and pleasant interactions and suitable propositions



### Social impact

De Volksbank achieves social impact on climate and decent living by integrating these themes in its services

## Four growth priorities of the brands



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



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



Reinforce RegioBank's local presence by broadening its propositions



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

## Five necessary movements of change



Digital and omni-channel dialogue



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



IT-based customer bank



Customer focused



Efficient and flexible

## Capabilities

Strengthening organisational, employee and leadership capabilities

## Important preconditions

Comply with laws & regulations

Continuity



# 1. Strategy and performance

## Introduction

This chapter provides an overview of de Volksbank's strategy and performance. It starts with an introduction of our historical roots, our mission and ambition and how these have shaped our social identity. This is followed by the objectives that we set in our Strategy 2021-2025. We describe how we create value across our value chain. And, finally, we reflect on the strategic progress made by us in 2023, our financial performance and prospects for the future.

## In this chapter:

### [1.1 Our strategy](#)

### [1.2 Our strategic progress](#)

### [1.3 Our financial performance](#)

## 1.1 Our strategy

### 1.1.1 Our business

#### Our history

De Volksbank is a bank at the heart of society. Our history dates back to 1817, the year in which a number of regional savings banks merged with the aim of taking good care of the money that the Dutch people entrusted to them. Today, we serve customers, entrepreneurs and small and medium-sized enterprises, by providing payment, savings, mortgage, insurance and investment products.

#### Our mission and ambition

We have a clearly-defined mission: banking with a human touch. We achieve it by creating value for all our stakeholders, i.e. our customers, society, our employees and our shareholder. We aim for optimum total value rather than maximisation of a single value and call this our shared value ambition. We monitor and measure against specific objectives and report on this shared value ambition for each stakeholder group. More information can be found in Section [1.2 Our strategic progress](#).

### 1.1.2 Strategy 2021-2025

In 2023, we continued to execute our Strategy 2021 – 2025: Better for each other – from promise to Impact. This strategy has two main pillars with which we aim to strengthen our distinctive capabilities: we want to be the bank with the strongest customer relationship in the Netherlands and to have a substantial and measurable positive impact on society. This is reflected in our four brands, each having its own growth priorities. To strengthen our distinctive capabilities and to achieve

the brands' growth priorities, our strategy has five necessary change movements. The aforementioned pillars, growth priorities and movements of change are all described below.

#### Pillar 1: Strong customer relationships

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

#### Pillar 2: Social impact

De Volksbank is committed to achieve a substantial and measurable positive impact on society. Each brand focuses on a specific social theme: ASN Bank on sustainability, BLG Wonen on decent housing, RegioBank on quality of life in communities and SNS on equal growth opportunities for everyone. We aim to create a positive social impact across the board and to reduce our negative impact by offering socially relevant propositions and by being a driving force for social impact in the financial sector, allowing us to contribute to changes at customer and system level.

In 2023 de Volksbank further clarified and refined its social identity and impact strategy as part of its overall strategic plan 2021-2025. De Volksbank aims to stimulate social and environmental progress by focussing on five core themes: (1) accessible housing market, (2) local entrepreneurship, (3) people-oriented and accessible services, (4) climate, and (5) biodiversity. Through these five core themes, de Volksbank contributes to equal opportunities, liveability, and sustainability.

De Volksbank creates positive impact on these five core themes in its role as (i) responsible services provider, e.g. by providing sustainable mortgages, sustainable investments, physical and accessible services, also in smaller communities, (ii) social connector, e.g. by connecting diverse stakeholders via the national 'Village Summit' (RegioBank), 'Housing Debate' (BLG Wonen), 'VanafHier platform' (ASN Bank), and (iii) accelerator of systems change, e.g. via the Platform Biodiversity Accounting Financials (PBAF) and the 'Growth Opportunities Report'.

#### Four growth priorities

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

1. SNS: attract a younger target audience and strengthen SNS's business model with fee income;
2. ASN: accelerate the growth of ASN Bank as a digital, sustainable bank;

3. RegioBank: reinforce RegioBank’s local presence by broadening its propositions;
4. BLG Wonen: expand BLG Wonen by increasing its distribution reach and improving its service.

**Five necessary movements of change**

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

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

To this end, we continuously work to strengthen the organisational, employee and leadership capabilities, while complying with laws and regulations and guaranteeing the continuity of systems. Simultaneously, we need to make our operations more efficient and robust.

**Strategic objectives**

The strategy for the coming years builds on our mission to achieve a positive impact through banking with a human touch: for our customers, society, our employees and our shareholder. Our Strategy 2021-2025 sets out objectively measurable goals for each stakeholder group. These goals are closely monitored and regularly measured. For more details, see Section Definition and methodology of strategic KPIs. The way in which we realise our shared value ambition is reflected in our most material social topics. Learn more about these topics in Section 2.1.7 Material topics.

**Other objectives**

We have also set objectives for ourselves to optimise our capitalisation, balance sheet, and the efficiency of our business operations. These objectives particularly pertain to the continuity of operations, which is essential for all stakeholders.

**Strategic objectives**

| Stakeholder | Year-end 2025 targets  | Link to material topic   |
|-------------|--|--|
| Customers   | <ul style="list-style-type: none"> <li>• Customer-weighted Net Promoter Score (NPS) of +13</li> <li>• 1.3 million active multi-customers</li> <li>• Customer Relationship Score of 60</li> </ul> | <a href="#">MT Fair and transparent products</a><br><a href="#">MT Customer relationship and service</a>   |
| Society     | Climate-neutral balance sheet of at least 75%, rising to 100% in 2030  | <a href="#">MT Responsible investment and financing</a><br><a href="#">MT Climate change</a><br><a href="#">MT Local entrepreneurship, accessible housing and quality of life in communities</a> |
| Employees   | Genuine attention for employees at least 7.5   |  |
| Shareholder | <ul style="list-style-type: none"> <li>• Return on Equity (RoE) of 8%</li> <li>• Dividend pay-out of 40-60% of the net profit</li> </ul>   | <a href="#">MT Responsible financial results</a><br><a href="#">MT Compliance with laws and regulations</a>  |

**Other objectives**

|                    |  |
|--------------------|--|
| CET1 capital ratio | Consistently at least 17% based on full phase-in of Basel IV |
| Leverage ratio     | Consistently at least 4.5%                                   |
| Cost/income ratio  | 57 – 59% by year-end 2025                                    |

As from 2024, we have lowered the long-term objective for our CET1 capital ratio from at least 19% to at least 17%.

**Sustainable Development Goals (SDGs) we contribute to**

|   |   |   |                                    |   |                                    |   |  |   |   |
|---|---|---|------------------------------------|---|------------------------------------|---|--|---|---|
|  <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p> | <p><b>Subgoals:</b> 8.3, 8.5, 8.8, 8.10</p> |  <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p> | <p><b>Subgoals:</b> 11.1, 11.3</p> |  <p><b>13</b> CLIMATE ACTION</p> | <p><b>Subgoals:</b> 13.2, 13.3</p> |  <p><b>15</b> LIFE ON LAND</p> | <p><b>Subgoals:</b> 15.1, 15.A, 15.B</p> |  <p><b>17</b> PARTNERSHIPS FOR THE GOALS</p> | <p><b>Subgoals:</b> 17.14, 17.16, 17.17</p> |
|---|---|---|------------------------------------|---|------------------------------------|---|--|---|---|

### 1.1.3 How we create value

As an financial institution, we play an important role in the Dutch economy and in society. We consider our gatekeeper function in countering financial crime to be an integral part of our business operations. We help households protect their savings, process (online) payment services and provide (mortgage) loans to households and businesses. We also offer insurance products and manage sustainable investment funds in which our customers can invest. These activities create value for our retail customers and for small businesses throughout the Netherlands, our partners in the chain and society as a whole. Our chain partners also operate mostly in the Netherlands.

We find it important to do business in a fair and sustainable way. Therefore, we give substance to this by translating the Principles for Responsible Banking (PRB) and the Sustainable Development Goals (SDGs) into strategic themes such as sustainability, decent housing, equal growth opportunities and quality of life. Read more on our positive and negative influence on specific SDGs in our [Section Our contribution to five Sustainable Development Goals \(SDGs\)](#).

Given our shared value ambition, we aim to create benefits for our customers, give genuine attention to our employees, take responsibility for society and achieve returns for our shareholder. We realise that we can only do so if we remain a sound and solid bank. Our value creation model on the following page is a visual representation of the way in which we create long-term value for our stakeholders. This model includes our value chain.

Our inputs, in other words resources, may increase or decrease due to external developments, but also due to our own decisions. If we do not use these inputs with due care, we run the risk of removing value. For example, through our biodiversity policy we aim to ensure that we do not finance activities that significantly harm natural capital. An input we influence is 'social capital', which relates to our customer relationships, customer satisfaction and our reputation. Our activities related to social capital result in outputs, such as the number of customers. To measure customer satisfaction, we use the Net Promoter Score. To measure the strength of the relationships that customers experience, we use the Customer Relationship Score. Through our activities and by monitoring these metrics, we aim to improve our long-term reputation as an outcome. To complete the circle, we use the relationships and reputation as input to tailor our activities to our customers' expectations.

The inputs, outputs and outcomes presented here are not exhaustive. Each year, we try to get a better picture of these aspects. Creating value is not something to do in isolation. The value creation model also includes the insights from our stakeholder analysis and partner collaborations, such as the *NVB* (the Dutch Banking Association)

and civil society organisations and initiatives, such as PCAF, PBAF and PLWF. For more information, see [Section 2.1.2 Membership associations and collaborations](#).

The value creation model may aid the reader to understand the connections in this report between our inputs, our mission and strategy, brands, products and services, business model, internal and external environments we are active in, risks and opportunities, our material topics, and targets and KPIs.

## Upstream activities

## Our organisation

## Downstream activities

### Inputs

This is what we need and what we impact.

### Social capital

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

**3.26m** Customers  
**193** SNS shops

**>3,000** BLG Wonen independent advisers

**425** RegioBank branch offices

### Natural capital

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

**35,821GJ**  
Total energy consumption of large offices and own retail network

### Human and intellectual capital

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

**4,407** FTEs internal and external employees

**€ 6.9m** Total invested in training and development which amounts to € 1.994 per employee

### Financial capital

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

**€ 43.6bn** Savings

**€ 4.2bn** Assets under management

**€ 7,935m** Debt certificates Of which € 3.8bn green bonds

**€ 4,091m** Total equity

### Manufactured capital

By manufactured capital we mean the use of physical objects such as our head office in Utrecht, our other offices in Den Bosch, Sittard and Den Haag in addition to equipment and tangible technology such as our laptops.

**The Dutch State**  
Represented by the Ministry of Finance

NL financial investments **nlf**

**MT** Corporate governance and ownership

**de volksbank**

**Mission**  
Banking with a human touch

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

**Promise**  
Better for each other

**Our strategy 2021- 2025**  
Strong customer relationship & social impact

**SNS** **asn bank** **RegioBank** **BLGwonen**

**Five necessary movements of change**

Digital and omni-channel dialogue   Relevant range of products   IT-based customer bank   Customer focused   Efficient and flexible

**Important preconditions**

**MT** Compliance with laws and regulations   Continuity

**MT** Fair and transparent products

Payments   Additional propositions   Investment funds   Mortgages

Investments   Savings   Insurance   Small business loans

**MT** Ethical business conduct

From our income, we meet our operating costs, reinvest in our business and pay out dividend to our shareholder

**Activities & main products**

We generate revenue from net interest income and fee and commissions

We fund our mortgages and loans through deposits, savings and capital markets while responsibly managing our risks

### Outputs

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

### Social capital

**MT** Local entrepreneurship, accessible housing and quality of life in communities

**MT** Customer relationship and service

**1.164m** Active multi-customers

**>6,500** People provided with financial education

**1,030 Eurowijs lectures** Reaching >300,000 children

### Outcomes

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

**-1** Customer-weighted Net Promoter Score

**53** Customer-weighted Customer Relationship Score

### Natural capital

**MT** Climate change

**-943 kilotonnes** CO<sub>2</sub>e emissions avoided

**1,249 kilotonnes** CO<sub>2</sub>e emissions financed

**75%** Climate-neutral balance sheet

### Human and intellectual capital

**7.7** Genuine attention for employees

**7.5** Engaged employees

### Financial capital

**MT** Responsible financial results   **MT** Responsible Investment and financing

**€ 808m** Operating expenses

**20.2%** CET1 ratio

**€ 1,414m** Total income

**5.1%** Leverage ratio

**€ 431m** Net result

**57.1%** Cost/Income ratio

**11.4%** RoE

**40%** Dividend pay-out ratio

### Manufactured capital

**€ 49.2bn** Residential mortgages

**€ 1.24bn** SME loans

**2,004,000** Current account customers

An example of an outcome through our manufactured capital is that we are able to offer products and services which enable our customers to become a homeowner.

Third parties\*

Payment services

Third parties\*

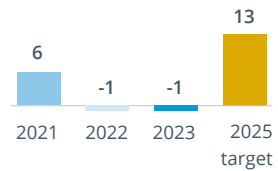
\*Due to our sustainability policies we expect that the material impacts, risks and opportunities are limited to our direct counterparties. In relation to our activities and organisations, we have labeled the MT Macro-economic and geopolitical developments as an overarching aspect.

## 1.2 Our strategic progress

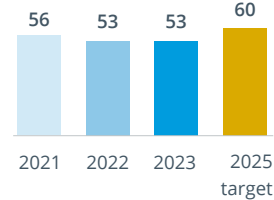
### Customers



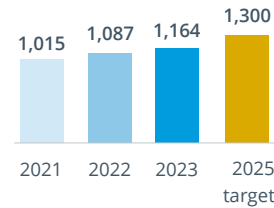
Customer-weighted average Net Promoter Score



Customer-weighted average customer relationship score



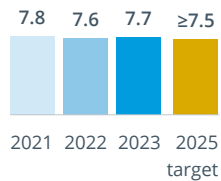
Number of active multi-customers (in thousands)



### Employees



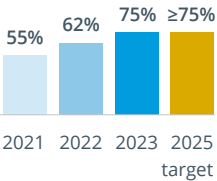
Genuine attention



### Society



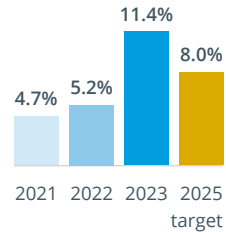
Climate-neutral balance sheet



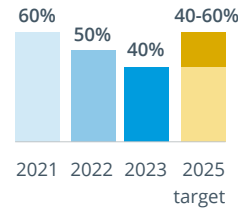
### Shareholder



Return on equity



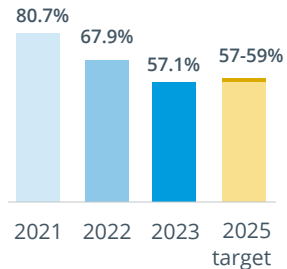
Dividend pay-out ratio



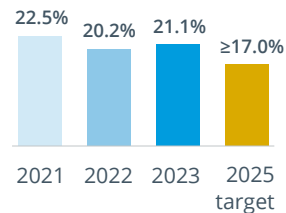
### Other objectives



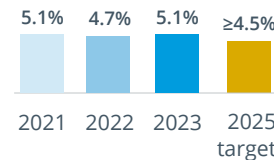
Cost/income ratio



Basel IV fully loaded CET1 ratio



Leverage ratio



### 1.2.1 Strong customer relationship

One of our main pillars is to build strong customer relationships; whatever we do must add value for our customers. In May 2023, our brands ASN Bank, RegioBank and SNS were once again recognised by market research company MarketResponse as the most customer-friendly banking brands in the Netherlands, occupying positions 1, 2 and 3 respectively in its annual survey. To measure the customer relationship we defined three specific key performance indicators (KPIs), each with its own target, i.e. the customer-weighted average Customer Relationship Score (KRS), the customer-weighted Net Promoter Score (NPS), and the number of active multi-customers. For more information, see Section 2.3.1 [Customer relationship and service](#) and Section [Definition and methodology of strategic KPI's](#).

#### Customer Relationship Score

The customer-weighted average Customer Relationship Score (KRS) measures the strength of the relationship that customers experience based on their satisfaction with, trust in and love for the brand. The higher the score, the stronger the relationship is perceived to be. Over 2023, the customer-weighted average KRS of our retail banking brands remained stable at 53 (average for 2022: 53). Our target for the end of 2025 has been set at 60. The scale ranges from 0 to 100.<sup>1</sup>

#### Net Promoter Score

At -1 the customer-weighted average of all brand-specific NPS scores also remained stable compared to year-end 2022. De Volksbank has set itself an NPS target of +13 by the end of 2025. The score ranges from -100% to +100%.<sup>2</sup>

#### Number of active multi-customers

In 2023, the number of active multi-customers rose by 77 thousand to 1.16 million (year-end 2022: 1.09 million). We are well on track to reach our target of 1.3 million active multi-customers by the end of 2025. The number of current account customers grew by 97 thousand to 2.0 million (year-end 2022: 1.9 million). The total number of customers decreased by 28 thousand to 3.26 million (year-end 2022: 3.29 million), mainly due to the outflow of customers with only a savings account following the introduction of a fixed fee for basic banking services in 2022.<sup>3</sup>

### 1.2.2 Social impact

We are focusing on making a positive social impact through the banking products and services that we offer our customers. We also continue to optimise our social impact profile by considering feedback from our key stakeholders and by making our own operations more sustainable. In 2023, we scored the highest marks on almost all themes as analysed in a study on sustainability policies conducted by the [Fair Bank Guide](#). Recently, based on our 2023 ESG Risk Rating, de Volksbank has been included in Sustainalytics' 2024 list of ESG Top-rated Companies, based on its 2023 ESG risk rating score. To further define our social impact, we measure our climate-

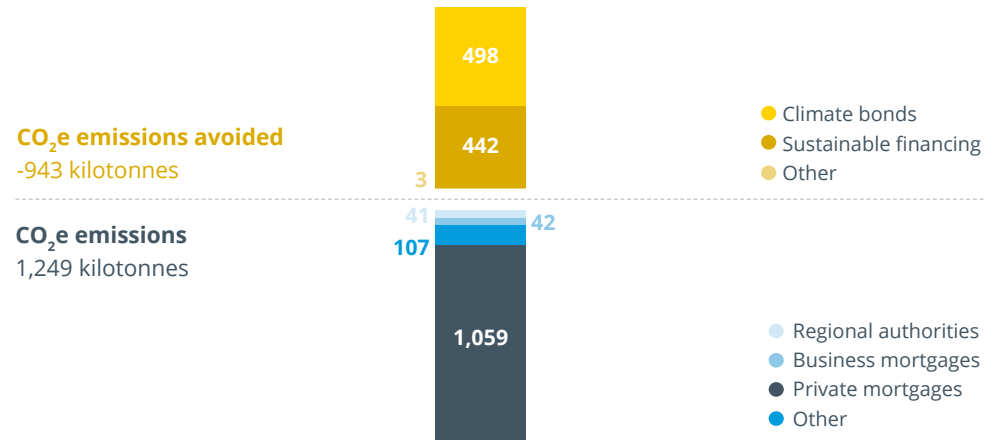
neutral balance sheet, issue green bonds and contribute to making the Dutch housing market more accessible. In addition to our own targets and actions, we are calling upon the government and local governments, businesses and other partners to jointly strive for a sustainable and fair society. Some examples of our concrete actions are collaborations with the European Citizens' Initiative, which calls for concrete measures to ensure workers in the garment industry are paid a living wage, PCAF, PBAF, *NLvoorElkaar* and other initiatives such as *Eurowijs* (financial education).

### Climate-neutral balance sheet

In 2016, we adopted our climate-neutral target for all relevant balance sheet items of de Volksbank. In our definition, our balance sheet is 'climate neutral' when our loans and investments result in as much avoided or removed CO<sub>2</sub>-equivalent (CO<sub>2</sub>e) emissions as they cause. In 2022, de Volksbank published its [Climate Action Plan](#) as part of its contribution to the Dutch National Climate Agreement. In this plan, we communicated our ambition to have a net zero balance sheet by 2050, or sooner if possible, to align our strategic goal with target setting and terminology that has been developed since the launch of our climate-neutral balance sheet target. More information regarding our current goal of achieving a climate-neutral balance sheet by 2030 and our net zero ambition can be found in Section [2.2.1 Climate change](#).

At year-end 2023, we were at 75% towards our goal to obtain a climate-neutral balance sheet, which means that at this point we have reached our interim target of at least 75% by 2025. This was the result of an increase in financed renewable energy projects and purchased green bonds with a strong focus on renewable energy projects. Moreover, an update of the emission factor database led to a decrease in emissions resulting from our business loans.

### Climate-neutral balance sheet 2023



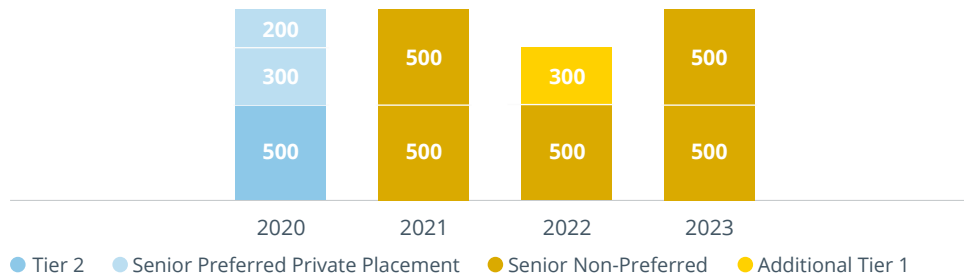
The CO<sub>2</sub>e emissions financed in 2023 amounted to 1,249 kilotonnes (kt), compared to 1,336 kt in 2022. Avoided CO<sub>2</sub>e emissions amounted to 943 kt in 2023, compared to 831 kt in 2022. To measure our climate-neutral balance sheet KPI, we use the PCAF methodology. For more details, see also the Section [Definition and methodology of strategic KPIs](#).

<sup>1</sup> The Customer Relationship Score (KRS) of de Volksbank is the customer-weighted average of all retail banking brands (SNS, ASN Bank and RegioBank). By means of an extended matrix the strength of the relationship is calculated based on the scores for satisfaction with, trust in and love for the brand. The scale ranges from 0 to 100.  
<sup>2</sup> 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 0 to 10 scale. The NPS is calculated by subtracting the percentage of detractors from the percentage of promoters. The score can range from -100% to +100%.  
<sup>3</sup> An active multi-customer is a customer with a current account and at least one product from another product group, who has made more than ten customer-initiated transactions per month on his or her current account for three months in a row.

**Green Bonds**

The issuance of green bonds is an effective tool to make a positive contribution to the climate and achieving the Sustainable Development Goals of the United Nations, specifically SDG 7 Affordable and clean energy, SDG 11 Sustainable cities and communities and SDG 13 Climate action. We continue to diversify our investor base through our green finance strategy in which we focus on socially responsible and highly dedicated sustainable investors, and in which we strengthen the relationship with existing investors. In 2023, we updated our Green Bond Framework, which received a Second Party Opinion (SPO) from ISS Corporate Solutions. This SPO includes assessments on the alignment with the ICMA Green Bond Principles and the EU Taxonomy. For more information on the Green Bond Framework, accompanying publications, and the EU Taxonomy, see our [website](#). De Volksbank also executed two Green Senior Non-Preferred notes issuances of € 0.5 billion each in 2023. The outstanding amount of Green Bond issuances at year-end 2023 stood at € 3.8 billion.

**Green bond issuances 2020 - 2023 (in € m)**



**Housing accessibility**

We are working towards an inclusive housing market, in which everyone has fair opportunities and access to appropriate mortgage solutions, enabling them to secure decent housing. Considering our business model and current market dynamics, we translated the housing accessibility theme into two KPIs, namely 1) making housing accessible to households earning up to twice the average income, and 2) sustainable recovery from mortgage arrears based on financial care during major life events. In the coming period, we will further develop the targets for these KPIs.

For more information on how we contribute to housing accessibility, see Section [2.3.3 Local entrepreneurship, accessible housing and quality of life in communities](#).

**1.2.3 Four growth priorities of the brands**

**SNS**

With over 190 shops, SNS is a social bank that stands for equal growth opportunities for everyone. SNS is on track to reposition its brand and increase its social impact. SNS' growth priority is to attract a younger target audience and strengthen its business model with fee income. In 2023, SNS engaged with young adults through the 'Board of the Future' and the content platform Future Money Talks. SNS also extended its partnership with WorldSkills Netherlands, a foundation dedicated to promoting craftsmanship and vocational education among young people. To strengthen its business model through diversification and fee income, SNS launched three brand campaigns, one of which is specifically aimed at the SME market. Apart from rolling out the banking app, SNS also introduced several new products and services, such as a life insurance policy for tenants, tailored mortgage advice and advice to help customers make their homes more sustainable.

**ASN Bank**

ASN Bank aims to accelerate growth as a sustainable digital bank. In 2023, the number of ASN Bank customers grew slightly. It improved its digital customer services by launching a new mobile banking app and introducing a chatbot. In collaboration with a.s.r., ASN Bank expanded its insurance offering by introducing car insurance for retail customers, of which the insurance premiums are invested sustainably. In 2023, de Volksbank was once again rated the most sustainable bank in the Fair Bank Guide, based on a study of Dutch banks' sustainable investment policies and practices. The sustainability policy for de Volksbank is drawn up by ASN Bank's sustainability experts.

**RegioBank**

RegioBank continues to have a strong local presence with more than 420 independent advisers in small towns and villages. It remains committed to the local community not only by providing financial services to its retail and small business customers, but also by supporting social initiatives such as the construction of community centres and social activities. In June, RegioBank organised the third National Village Summit, an event for everyone involved in regional developments and initiatives. At this summit an agenda for the future of the regions was developed, and which was presented to the House of Representatives in The Hague as part of an appeal to Dutch politicians to focus more on the local regions. RegioBank aims to give small businesses the attention they deserve, helping them to grow and make a positive social impact on their customers and society.

**BLG Wonen**

BLG Wonen is committed to making the housing market more accessible; to this end it works with independent financial advisers in order to develop and offer suitable standard and custom mortgage solutions. In 2023, BLG Wonen launched the *Bespaarhypotheek*, a new mortgage product providing an interest rate discount when

homeowners implement energy saving measures to obtain a higher energy-efficiency rating. To further strengthen the relationship with service providers, BLG Wonen worked on a power of attorney, allowing it to partially outsource the underwriting process of mortgage applications to service providers. BLG Wonen also reviewed its strategy and will continue to expand its distribution reach and improve its service.

## 1.2.4 Five necessary movements of change

### 1. Digital and omni-channel dialogue

De Volksbank aims to strengthen the relationship with its customers and advisers by providing a human touch in customer interaction and consistent and personalised service through online and offline channels. For all our brands, we rolled out the new retail customer banking app. Furthermore, we improved the delivery of a consistent and recognisable cross-channel experience across the personal banking environment the mobile banking apps and on the websites. Finally, we added a human touch in our online channels by offering a chat option for all brands and personalised messages for SNS and ASN Bank customers.

### 2. Relevant range of products, new propositions and small-sized businesses as a new target market

We are strongly committed to small-sized businesses within the SME sector. These entrepreneurs need a local and personal bank. Through our local presence and the expansion of our product range for the business market, we increasingly have the ability to meet their needs.

In 2023, we continued to professionalise our distribution channels. Application processes were improved, allowing customers to take out a business loan easier and faster. Not only have we expanded our online platform where SME customers can tailor our services to their own needs, by adding BLG Wonen's advisers to our network, we have also expanded our network of financial advisers that our SME customers can turn to. We proactively held dialogues with politicians and industry organisations on services for small-sized enterprises, especially on easy access to loans.

To help more entrepreneurs, we expanded our financing standard. We now welcome small, businesses with a maximum annual turnover of € 10 million (previously € 5 million) and, a financing requirement of no more than € 2 million (previously € 1 million). Furthermore, the working capital funding limit has been increased from € 50,000 to € 150,000. Moreover, we introduced a buy-to-let mortgage of a social nature, which offers homeowners attractive conditions, provided that they, in turn, charge a realistic and fair rent based on the Dutch home valuation system (*Woningswaardingsstelsel; WWS*) to determine the maximum rent. We also optimised the basic package for business payments, investments and insurance products. For example, new sole proprietor business customers taking out a current and savings account can now identify themselves more easily via face recognition. And we can

provide entrepreneurs entering into a business property rental agreement with a rental guarantee.

We engaged with customers about the economic challenges they face, and about how embedding sustainability in their daily and future business operations may be beneficial for them. For example, SNS organised local Entrepreneurs' Nights and ran a major national campaign specifically aimed at entrepreneurs. Strengthening local entrepreneurship was also part of RegioBank's brand campaign.

All in all, these activities contributed to an SME portfolio total of € 1,235 million (2022: € 1,085 million) and increased awareness of de Volksbank's brands as the bank for small businesses. We continue with our ambition to position our brands even more firmly as banks for small businesses that are close to entrepreneurs, value personal interaction and offer an appropriate range of products.

Through insurance partner NN (Nationale-Nederlanden) SNS launched various new non-life insurance policies for its retail customers - such as home, liability, car, travel and legal expenses insurance policies - in April 2023, giving customers access to higher-quality and contemporary insurance policies at a fair price, while providing personalised customer service.

Property valuation platform Fitrex managed to strengthen its market position. The number of requests remained stable in a declined market. This was achieved through a combination of actions such as growing the number of active independent financial advisers by 20%, implementing additional features on the platform, i.e. notary services and renovation advice and collaborating with software platforms focussing on these financial advisers.

Over the course of 2023 we experimented with new services in relation to topics such as data security, immovable property valuation (*WOZ*), retirement and sustainable energy. Depending on customer insights and market response, some of those might be added to the product range of SNS, RegioBank and/or ASN Bank.

### 3. IT-based customer bank

The aim of our IT-based customer bank strategy is to achieve a modular, customer-driven, mostly cloud-based, automated IT landscape. In 2023, we worked on the customer bank transition by continuing to design and build a new customer administration system, expanding the bank-wide case management system and, improving the data platform and by integration and delivery through development pipelines. The level of maturity of continuous integration and delivery was assessed by all the teams involved in this exercise and they are implementing the required improvements. The new banking app has been rolled out for all our brands' customers, offering possibilities for a wider range of customer-bank interactions.



In the second half of 2023, we increased our focus on customer integrity-related improvements. In the period ahead, we will continue to focus on customer integrity and on phasing out older applications.

#### 4. Customer focused

With the implementation of the new organisational structure, our fourth change movement to become a more agile and customer-focused organisation has been completed. However, as the agile way of working still needs to mature, it has become part of our strategic theme 'Capabilities'. For more information on this topic, see the Subsection on Capabilities below.

#### 5. Efficient and flexible

We are continuously looking for opportunities to work more efficiently and flexibly. We do so through agile working and by looking for an ideal mix of partnerships, using in-house resources and outsourcing partners. We also integrated the supplier intake processes into our existing systems, enhancing the efficiency and control of supplier management. Moreover, we want to use our capital and balance sheet in a more targeted way. To this end, de Volksbank executed two issuances of Green Senior Non-Preferred (SNP) notes of € 500 million each in the first half of 2023, as a result of which we met the subordinated MREL requirements applicable as from 2024.

As from 2024, we will no longer report separately on the 'efficient and flexible' change movement. Since the start of the execution of the strategic plan, de Volksbank has improved its balance sheet management and capital management. We incorporated these improvements into our business and consider this part of our daily activities. We will continue to look for opportunities to increase efficiency and flexibility through partnerships and outsourcing.

#### Capabilities

An essential part of our strategy is our continuous effort to strengthen organisational, employee and leadership capabilities. To achieve this, we further developed the People & Organisation strategy in the first quarter of 2023. This strategy is built on four pillars: People & Teamwork, Leadership, Culture and Organisation. To implement the People & Organisation strategy we established an internal leadership and culture programme. Apart from this, we introduced an agile maturity model for future growth. To better understand our organisational risk culture, we conducted the second in-company organisational integrity survey in June 2023. The results are used to embed and strengthen our risk culture. For results and more information on these matters, please refer to [Section 2.3.4 Genuine attention for our employees](#).

#### Important preconditions

##### Comply with laws and regulations

To create more focus and guidance for the business, we decided to make customer integrity top priority for 2023 and beyond, based on identified gaps by De Nederlandsche Bank (DNB). As a result, the governance of customer integrity was adjusted to ensure and accelerate timely and risk-based decision-making, clear ownership and execution. To support this we allocated additional resources and hired external expertise. As from 1 November 2023, we created the position of Chief Financial Crime Officer (CFCO). The CFCO is responsible for giving substance to our role of gatekeeper in countering financial crime. For more information, see the [Section 4.3 Operational risks](#). Furthermore, ESG-related legislation is coming our way, which will have an impact on our reporting and way of working. The same is true for the Artificial Intelligence Act, in which field we will take a pro-active role and anticipate on the potential impact.

##### Continuity

The responsibility for 'Continuity' shifted from the central IT organisation to the Customer Service departments. To enhance continuity of applications and value streams, we added the oversight role of Continuity Coordinator to the Business, Development and Operations teams in these Customer Service departments. In addition, we developed a disaster recovery scenario and, carried out crisis management team tests as well as backup and data recovery tests.

#### 1.2.5 Strategic objectives

We report on our progress related to the strategic objectives for our customers in [Section 1.2.1 Strong customer relationship](#), and related to society in [Section 1.2.2 Social impact](#) in this chapter. An update on the progress made towards our other objectives, is provided below.

##### Genuine attention for employees

Our shared value-related KPI for employees is 'Genuine attention'. We want to empower employees to make a meaningful contribution to our mission and strategy by giving genuine attention to autonomy, professionalism and personal growth. We monitor this KPI every six months by conducting an employee survey and aim for a score of at least 7.5 (on a scale of 1-10) in 2025. In October 2023 the score was 7.7 (2022: 7.6). Employees are proud of the customer focus and the social impact we make together.

We strongly believe that genuine attention for employees results in engaged employees. In October 2023, the score for engagement was 7.5 (2022: 7.4). Our objective is a score of 8.0 by 2025. Read more about what we do for our employees in [Section 2.3.4 Genuine attention for employees](#). The insights gained from the employee

survey will be used to formulate and implement bank-wide improvements, among others in the areas of result-oriented cooperation and work pressure.

| KPIs <sup>1</sup>        | 2023       | 2022       | 2021       | 2020       | Target 2025 |
|--------------------------|------------|------------|------------|------------|-------------|
| <b>Genuine attention</b> | <b>7.7</b> | <b>7.6</b> | <b>7.8</b> | <b>7.9</b> | <b>≥7,5</b> |
| Engagement               | 7.5        | 7.4        | 7.4        | 7.6        | 8.0         |

<sup>1</sup> On a scale from 1 to 10.

### Returns for the shareholder

#### Return on Equity

De Volksbank's Return on Equity (RoE) improved to 11.4%, compared to 5.2% in 2022. This increase was mainly supported by higher total income due to more favourable interest rates established by the ECB, as from the second half of 2022. In the first half of 2022, we were still facing a historically low and even negative interest rate environment created by the ECB, putting pressure on our profitability in previous periods.

#### Dividend pay-out ratio

De Volksbank has set a target range of 40% - 60% of net profit attributable to the shareholder for the regular dividend distribution. In line with this policy, de Volksbank decided in its General Meeting of Shareholders (GMS) in April 2023 to distribute a dividend of € 90 million for 2022. This corresponded to a pay-out ratio of 50%.

For the financial year 2023, we propose a dividend of € 164 million, which corresponds to a pay-out ratio of 40%.

### Other objectives

#### Capital and leverage ratio

The target levels of the Common Equity Tier 1 (CET1) ratio and the leverage ratio apply for the ratios based on the expected impact of fully phased-in Basel IV standards and the end-state of the CRR non-performing exposure (NPE) rules. De Volksbank's actual CET1 ratio decreased slightly from 20.3% at year-end 2022 to 20.2% at year-end 2023. The Basel IV fully loaded CET1 ratio is estimated at 21.1% (year-end 2022: 20.2%). The leverage ratio rose to 5.1%, from 4.7% at year-end 2022. Both the CET1 ratio and the leverage ratio remained well above our targets of at least 17.0% and 4.5%, respectively. For more information on the capital and leverage ratios, see the Section on [Capital management](#).

#### Cost/income ratio

Higher income and lower regulatory levies resulted in a cost/income ratio (C/I ratio) of 57.1%, an improvement compared to 2022 (67.9%). Keeping the C/I ratio within the target of 57-59% for 2025 will require continued investments in our strategic initiatives to make an impact over the years, at both the revenue and operational expenses levels. In addition, cost pressure due to steadily increasing (wage) inflation requires cost mitigating measures going forward.

### 1.2.6 Options for the future

On 22 February 2023, the Dutch Minister of Finance informed the House of Representatives that she intends to take a directional decision about the future of our bank.

On 26 May 2023, the Minister notified the House of Representatives that she would inform the House in two steps ahead of this decision, with the first step consisting of an analysis of whether there are any insufficiently safeguarded public interests in the financial sector.

On 26 October 2023, this analysis was shared with the House, with the conclusion that a state-owned bank is not required to safeguard public interests, and that from this perspective there is no reason to retain de Volksbank as a permanently state-owned participation.

The second step consists of an analysis on which future options and/or governance models would not be realistic for de Volksbank. It is anticipated that this analysis can be shared in the course of 2024. Subsequently, after a discussion with the House, a directional decision can be taken by a future government.

A final decision on the future of de Volksbank can only be made when NLF1 has determined that de Volksbank is ready for it. NLF1 will subsequently advise the Minister on the next steps.

## 1.3 Our financial performance

### Responsible financial results MT

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

We are committed to being a financially healthy bank, with solid return and a strong capital position. With this strong capital position, an adequate liquidity position and a simple and transparent balance sheet, we offer simple and transparent mortgages, savings and payment products to individuals, self-employed persons and small companies. We facilitate payment transactions and offer financial services in a socially responsible way. Our capability to generate acceptable revenues and to retain our capital position may be affected by internal factors such as our business model and external factors including developments on the financial markets, the interest rate environment and other macroeconomic developments like inflation and house prices.

More about external developments affecting the bank in Section [Economic developments](#), and about the identified internal and external top risks, is in the Section [4.1.2 Top risks](#).

See Section [4 Risk Management](#) for the way in which we manage associated risks e.g. business risk, interest rate risk in the banking book and credit risk. This section also describes how we manage our capital and liquidity position.

To assess and track the effectiveness of responsible financial results, management uses a range of KPIs that focus on the bank's financial strength, the delivery of returns and cost management. Said KPIs include the Return on Equity, dividend pay-out ratio, cost/income ratio, CET1 ratio and leverage ratio. We have set objectives for these KPIs as part of our strategic plan, and externally report on their progress every six months. For more details, see Section [1.2.5 Strategic objectives](#).

We engage with various stakeholders on our results and capital position, including our shareholder, supervisory authorities and investors. For more information on how we engage with stakeholders and examples of topics, stakeholder expectations and activities, see Section [2.1.1 Our approach to stakeholder engagement](#).

## Financial results

### Profit and loss account

| in € millions  | 2023         | 2022       | Change      |
|--|--------------|------------|-------------|
| Net interest income  | 1,303        | 851        | 53%         |
| Net fee and commission income                                    | 64           | 51         | 25%         |
| Other income   | 47           | 63         | -25%        |
| <b>Total income</b>  | <b>1,414</b> | <b>965</b> | <b>47%</b>  |
| Operating expenses excluding regulatory levies                   | 766          | 586        | 31%         |
| Regulatory levies  | 42           | 69         | -39%        |
| <b>Total operating expenses</b>                                  | <b>808</b>   | <b>655</b> | <b>23%</b>  |
| Impairment charges of financial assets                           | 15           | 52         | -71%        |
| <b>Total expenses</b>  | <b>823</b>   | <b>707</b> | <b>16%</b>  |
| <b>Result before taxes</b>                                       | <b>591</b>   | <b>258</b> | <b>129%</b> |
| Taxation   | 160          | 67         | 139%        |
| <b>Net result</b>  | <b>431</b>   | <b>191</b> | <b>126%</b> |
| Release of the restructuring provision                           | --           | 17         |             |
| Total incidental items   | --           | 17         |             |
| <b>Adjusted net result<sup>1</sup></b>                           | <b>431</b>   | <b>174</b> | <b>148%</b> |
| Cost/income ratio <sup>1</sup>                                   | 57.1%        | 67.9%      |             |
| Adjusted cost/income ratio <sup>1</sup>                          | 57.1%        | 70.3%      |             |
| Return on Equity (RoE) <sup>1</sup>                              | 11.4%        | 5.2%       |             |
| Adjusted Return on Equity (RoE) <sup>1</sup>                     | 11.4%        | 4.7%       |             |
| Net interest margin <sup>1</sup>                                 | 1.80%        | 1.15%      |             |
| Cost/assets ratio as a % of average assets <sup>1</sup>          | 1.06%        | 0.79%      |             |
| Adjusted cost/assets ratio as a % of average assets <sup>1</sup> | 1.06%        | 0.83%      |             |

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

### Net result

De Volksbank's net result increased by € 240 million to € 431 million in 2023. The year 2023 did not include any incidental items, whereas 2022 included an incidental item of € 17 million after tax (€ 23 million before tax), consisting of a release of the restructuring provision in relation to the transformation into an agile organisation. Adjusted for incidental items, net result rose by € 257 million.

Total income grew by € 449 million to € 1,414 million. This increase was driven by higher net interest income, mainly due to rising external interest rates. To combat inflation in Europe, the ECB continued to raise its interest rates and the deposit facility

rate grew to 4.00% as at 31 December 2023, compared to 2.00% at year-end 2022 and - 0.50% at year-end 2021. The first half of 2022 was still marked by negative interest rates. Net fee and commission income continued to grow in 2023, in line with our ambition to increase non-interest income. Other income decreased due to a lower result on investments and swaptions, partly compensated by higher treasury results, following a shift from treasury-related interest income to other results on financial instruments. The year 2022 included a substantial non-recurring gain on swaptions used to hedge long-term interest income against sharply rising market interest rates.

Total operating expenses increased by € 153 million to € 808 million. Adjusted for the incidental item in 2022 they increased by € 130 million. Besides the impact from (wage) inflation and an increase in the number of staff, the increase was mainly driven by additional investments in projects related to customer integrity, banking regulations and the IT foundation, supporting our objective to become a more robust and resilient organisation. Regulatory levies decreased, mainly reflecting a lower ex-ante DGS contribution.

Impairment charges of financial assets decreased by € 37 million to € 15 million due to lower impairment charges on residential mortgages, SME loans, corporate loans and on investments and loans to banks.

## Income

### Breakdown income

| in € millions                         | 2023         | 2022       | Change     |
|---------------------------------------|--------------|------------|------------|
| Net interest income                   | 1,303        | 851        | 53%        |
| Net fee and commission income         | 64           | 51         | 25%        |
| Investment income                     | -54          | -8         | -575%      |
| Result on other financial instruments | 101          | 70         | 44%        |
| Other operating income                | --           | 1          | -100%      |
| <b>Total income</b>                   | <b>1,414</b> | <b>965</b> | <b>47%</b> |
| Net interest margin <sup>1</sup>      | 1.80%        | 1.15%      |            |

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

### Net interest income

Net interest income increased by € 452 million to € 1,303 million (+53%), and the net interest margin rose to 1.80% (2022: 1.15%). Both increases were mainly due to the more favourable interest rate environment as from the second half of 2022. As a result, net interest income was supported by a strong increase in margins on

<sup>1</sup> Consisting of fair value adjustments from hedge accounting and amortisations.

retail deposits, comprising savings and current account balances. Total retail deposits decreased by € 2.3 billion to € 54.3 billion as at 31 December 2023. Retail savings, SME savings and current account balances all declined, driven by the changed interest rate environment, which triggered a repricing of deposit rates in the Dutch banking market. Furthermore, retail deposits went down because we stopped selling certain savings products and due to the effect of basic banking.

The margin on residential mortgages remained virtually stable in a competitive domestic market. The residential mortgage portfolio, excluding IFRS value adjustments<sup>1</sup>, increased to € 49.2 billion (year-end 2022: € 48.3 billion). Compensation received for loss of interest income due to mortgage prepayments declined to € 25 million compared to € 70 million in 2022, as mortgage rates rose significantly and the mortgage refinancing market contracted. Treasury-related interest income decreased due to a shift to other results on financial instruments, an item that is part of other income.

### Net fee and commission income

Gross fee and commission income rose by € 17 million to € 171 million (+11%), while total fee and commission expenses increased by € 4 million to € 107 million (+4%). On balance, net fee and commission income rose by € 13 million to € 64 million (+25%), mainly due to higher fees for basic banking services. In addition, gross fee income was up as customer due diligence-related costs were partially passed on to SME customers as from the fourth quarter of 2022. Management fees were slightly below the level of 2022 as a result of lower average assets under management. However, at year-end 2023 assets, under management ended up at € 4.2 billion, an increase of € 0.3 billion year-on-year that was driven by higher stock markets.

### Investment income

Investment income amounted to € 54 million negative, compared to € 8 million negative in 2022. In both years, investment income consisted entirely of realised results on fixed-income investments, sold as part of Asset & Liability Management and optimisation of the bank's investment portfolio. The loss in 2023 was mainly driven by the sale of bonds.

### Other results on financial instruments

Other results on financial instruments increased by € 31 million to € 101 million mainly driven by a shift of treasury-related interest income to other results on financial instruments. This reflected activities to benefit from favourable FX swap interest rate differentials. These higher treasury results were largely offset by lower results on interest rate swaptions used for hedging purposes. Results in 2023 included a loss of € 8 million, while 2022 had included a € 46 million gain due to a sharp rise in interest rates combined with high market volatility.

**Total expenses****Operating expenses and FTE**

| in € millions  | 2023         | 2022         | Change     |
|--|--------------|--------------|------------|
| Staff costs  | 487          | 383          | 27%        |
| Depreciation of (in)tangible assets                  | 23           | 22           | 5%         |
| Other operating expenses                             | 298          | 250          | 19%        |
| <i>Of which Regulatory levies</i>                    | 42           | 69           | -39%       |
| <b>Total operating expenses</b>                      | <b>808</b>   | <b>655</b>   | <b>23%</b> |
| Release of the restructuring provision - staff costs | --           | -23          |            |
| <b>Adjusted operating expenses</b>                   | <b>808</b>   | <b>678</b>   | <b>19%</b> |
| <b>FTEs</b>  |              |              |            |
| Number of internal FTEs                              | 3,449        | 3,123        | 10%        |
| Number of external FTEs                              | 958          | 764          | 25%        |
| <b>Total number of FTEs</b>                          | <b>4,407</b> | <b>3,887</b> | <b>13%</b> |

Total operating expenses rose by € 153 million to € 808 million (+23%). In 2022, operating expenses were positively impacted by an incidental item, consisting of a € 23 million release of the restructuring provision related to the transformation into an agile organisation.

Excluding incidental items, total operating expenses increased by € 130 million (+19%), despite a € 27 million decrease in regulatory levies. Regulatory levies amounted to € 42 million (2022: € 69 million), of which € 10 million was linked to the resolution fund contribution (2022: € 14 million), and € 32 million to the ex-ante DGS contribution (2022: € 55 million). The lower DGS contribution was mainly driven by a refinement of the calculation basis including a partial reversal of last year's contribution.

Excluding incidental items and regulatory levies, total operating expenses increased by € 157 million (+26%), of which € 81 million consisted of higher staff costs and € 76 million of higher other operating expenses and depreciation. Staff costs went up as a result of an increase in total FTEs and wage inflation. Compared to year-end 2022, the total number of FTEs grew by 521 to 4,407, mainly reflecting initiatives in the domains of IT, compliance and risk. The number of internal FTEs increased by 327 to 3,449 and that of external FTEs by 194 to 958.

The € 76 million increase in other operating expenses and depreciation, excluding regulatory levies, was mainly driven by higher IT and consultancy costs, reflecting investments in customer integrity, banking regulations and the IT foundation. In addition, other operating expenses included a provision of € 2 million related to

the improvement of our Systematic Integrity Risk Analysis (SIRA). Driven by higher (adjusted) expenses, the adjusted cost/assets ratio increased to 106 bps, compared to 83 bps in 2022.

**Impairment charges (reversals) of financial assets**

| in € millions  | 2023      | 2022      |
|--|-----------|-----------|
| Investments  | --        | 8         |
| Loans and advances to banks  | -2        | 5         |
| Loans and advances to customers                                    | 16        | 39        |
| <i>Of which residential mortgages</i>                              | 9         | 17        |
| <i>Of which consumer loans</i>                                     | -2        | -3        |
| <i>Of which SME loans</i>  | -1        | 2         |
| <i>Of which other corporate and government loans</i>               | 10        | 23        |
| Other  | 1         | --        |
| <b>Total impairment charges financial assets</b>                   | <b>15</b> | <b>52</b> |
| Cost of risk of total loans and advances to customers <sup>1</sup> | 0.03%     | 0.08%     |
| Cost of risk of residential mortgages <sup>1</sup>                 | 0.02%     | 0.04%     |
| Cost of risk of SME loans <sup>1</sup>                             | -0.09%    | 0.21%     |

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

Total impairment charges of financial assets amounted to € 15 million, compared to € 52 million in 2022. For a more detailed description of loan loss provisioning, see the Section on [Credit risk](#).

**Residential mortgages**

Impairment charges on residential mortgages decreased to € 9 million, compared to € 17 million in 2022. In both years, the modelled provision increased but the increase in 2022 was substantially higher due a deteriorated macroeconomic outlook at that time. In addition, 2022 impairment charges included a charge related to model improvements and a scope extension for high-risk interest-only mortgages. In 2023, there was a (smaller) increase in the modelled provision, which also includes an effect of € 11 million related to prior year. In addition, the provision increased as a result of lower house prices, which led to a shift of mortgages to higher LtV buckets.

The lower increase in the 2023 modelled provision was partly offset by a swing in the management overlay; there was a small increase in the management overlay as a result of the inclusion of a newly introduced overlay for the de-risking of the interest-only mortgage portfolio, partly offset by a partial release of the overlay to account for

the risk of high inflation affecting our customers' ability to repay their loans. In 2022, the management overlay decreased as a result of the release of a Covid-19-related overlay and the release of a general overlay that was introduced to absorb a decrease in house prices.

Incurred credit losses on residential mortgages were negligible (zero bps) in both years, evidencing the strong underlying credit quality of our portfolio.

#### Consumer loans

Impairment charges on consumer loans consisted of a reversal of € 2 million, compared to a reversal of € 3 million in 2022.

#### SME loans

Impairment charges on SME loans consisted of a reversal of € 1 million, compared to a charge of € 2 million in 2022. The credit quality of the SME loan portfolio remained sound and incurred credit losses were at a very low level.

#### Other corporate and government loans

Impairments charges on other corporate and government loans declined by € 13 million to € 10 million, in both years consisting of impairments on a few individual corporate loans as a result of increased credit risk.

#### Loans to banks

Impairment charges on loans to banks consisted of a reversal of € 2 million (2022: € 5 million charge). In 2023, credit spreads decreased, while the year 2022 saw an increase.

#### Investments

Impairment charges on investments were nil. In 2022, increased credit spreads on our fixed-income portfolio had resulted in a charge of € 8 million.

#### Outlook

We expect net interest income in 2024 to decline compared to 2023, mainly as a result of lower expected margins on deposits. We anticipate margins on mortgages to be in line with 2023 in a challenging and competitive market. Net interest income will remain highly sensitive to changes in the ECB interest rate policy.

Investment income is expected to be higher, while other results on financial instruments are expected to return to a lower level as the financial year 2023 was positively impacted by higher treasury results.

Overall, we foresee a reduction in total income in 2024 relative to 2023.

In 2024, cost control is high on the agenda. Operating expenses, excluding regulatory levies, are projected to be in line with 2023, as we will continue to invest in the IT foundation and projects related to banking regulations and Know Your Customer compliance, supporting our objective to become more robust operationally. On top of this, the impact of (wage) inflation is expected to continue to impact our structural cost base.

Regulatory levies are expected to decrease compared to 2023, which marks the end of the build-up phase of the Single Resolution Fund. The ex-ante DGS fund is expected to have been built up in mid-2024. After this, we only expect additions to keep both funds at their target level.

The effect of macroeconomic developments on our customers and their financial resilience is highly uncertain and may, therefore, impact our loan loss provisioning levels. Based on the current economic outlook and sound credit quality of our loan portfolio, we expect the level of impairment charges on loans and advances to be low in 2024.

Taking into account the aforementioned factors, we anticipate net profit for 2024 to be lower compared to 2023.

### Reconciliation of alternative performance measures

Our financial results are prepared and reported in accordance with IFRS-EU, as detailed in the Section [Financial statements](#). We also present alternative performance measures, i.e. non-IFRS financial measures. These include the adjusted performance that we use to align internal and external reporting, identify and quantify items that management believes to be significant, and provide insight into how management assesses the bank's period-on-period performance. To derive the adjusted performance, we adjust for certain incidental items, i.e. items that have an impact on the net result in excess of € 15 million, which are not directly related to our regular banking activities and have an incidental nature, thus limiting insight into the underlying developments.

- In 2023, net profit did not include any incidental items.
- In 2022, net profit included positive incidental items of € 17 million, entirely consisting of a release of the restructuring provision of € 23 million before tax.

### Reconciliation of reported to adjusted net result

| in € millions   | 2023         |             |              | 2022       |             |            |
|---|--------------|-------------|--------------|------------|-------------|------------|
|   | Reported     | Adjustments | Adjusted     | Reported   | Adjustments | Adjusted   |
| Net interest income   | 1,303        |             | 1,303        | 851        |             | 851        |
| Net fee and commission income                                   | 64           |             | 64           | 51         |             | 51         |
| Investment income   | -54          |             | -54          | -8         |             | -8         |
| Other result on financial instruments                           | 101          |             | 101          | 70         |             | 70         |
| Other income  | --           |             | --           | 1          |             | 1          |
| <b>Total income</b>   | <b>1,414</b> |             | <b>1,414</b> | <b>965</b> |             | <b>965</b> |
| Staff costs   | 487          |             | 487          | 383        | 23          | 406        |
| Depreciation and amortisation of tangible and intangible assets | 23           |             | 23           | 22         |             | 22         |
| Other operating expenses  | 298          |             | 298          | 250        |             | 250        |
| <i>Of which: regulatory levies</i>                              | 42           |             | 42           | 69         |             | 69         |
| <b>Total operating expenses</b>                                 | <b>808</b>   | <b>--</b>   | <b>808</b>   | <b>655</b> | <b>23</b>   | <b>678</b> |
| <i>Of which: operating expenses excluding regulatory levies</i> | <b>766</b>   | <b>--</b>   | <b>766</b>   | <b>586</b> | 23          | <b>609</b> |
| Other expenses  | --           |             | --           | --         |             | --         |
| Impairment charges of financial assets                          | 15           |             | 15           | 52         |             | 52         |
| <i>Of which: investments</i>                                    | --           |             | --           | 8          |             | 8          |
| <i>Of which: loans and advances to banks</i>                    | -2           |             | -2           | 5          |             | 5          |
| <i>Of which: residential mortgages</i>                          | 9            |             | 9            | 17         |             | 17         |
| <i>Of which: consumer loans</i>                                 | -2           |             | -2           | -3         |             | -3         |
| <i>Of which: SME loans</i>                                      | -1           |             | -1           | 2          |             | 2          |
| <i>Of which: other corporate and government loans</i>           | 10           |             | 10           | 23         |             | 23         |
| <i>Of which: other</i>  | 1            |             | 1            | --         |             | --         |
| <b>Total expenses</b>   | <b>823</b>   | <b>--</b>   | <b>823</b>   | <b>707</b> | <b>23</b>   | <b>730</b> |
| <b>Result before taxation</b>                                   | <b>591</b>   | <b>--</b>   | <b>591</b>   | <b>258</b> | <b>-23</b>  | <b>235</b> |
| Taxation  | 160          |             | 160          | 67         | -6          | 61         |
| <b>Net result for the period</b>                                | <b>431</b>   | <b>--</b>   | <b>431</b>   | <b>191</b> | <b>-17</b>  | <b>174</b> |

## Non-IFRS financial measures

### KPIs and adjusted KPIs

| KPIs and definitions   | in € millions                                       | 2023         |             |              | 2022         |             |              |
|--|---|--------------|-------------|--------------|--------------|-------------|--------------|
|  |   | Reported     | Adjustments | Adjusted     | Reported     | Adjustments | Adjusted     |
| <b>Cost/income ratio</b>   |   |              |             |              |              |             |              |
| Total operating expenses (including regulatory levies) as a percentage of total income   | Total operating expenses                            | 808          |             | 808          | 655          | 23          | 678          |
|  | Total income  | 1,414        |             | 1,414        | 965          |             | 965          |
|  | <b>Cost/income ratio</b>                            | <b>57.1%</b> |             | <b>57.1%</b> | <b>67.9%</b> |             | <b>70.3%</b> |
| <b>Return on Equity (RoE)</b>  |   |              |             |              |              |             |              |
| Annualised net result for the period, excluding interest expenses related to AT1 capital securities, as percentage of average month-end total equity, excluding AT1 capital securities, for the reporting period | Net result  | 431          |             | 431          | 191          | -17         | 174          |
|  | Interest expenses related to AT1 capital securities | -21          |             | -21          | -12          |             | -12          |
|  | Average month-end total equity                      | 3,592        |             | 3,592        | 3,424        |             | 3,424        |
|  | <b>Return on Equity (RoE)</b>                       | <b>11.4%</b> |             | <b>11.4%</b> | <b>5.2%</b>  |             | <b>4.7%</b>  |
| <b>Net interest margin (bps)</b>   |   |              |             |              |              |             |              |
| Annualised net interest income as percentage of average month-end total assets for the reporting period  | Net interest income                                 | 1,303        |             | 1,303        | 851          |             | 851          |
|  | Average month-end total assets                      | 72,461       |             | 72,461       | 73,763       |             | 73,763       |
|  | <b>Net interest margin (bps)</b>                    | <b>1.80%</b> |             | <b>1.80%</b> | <b>1.15%</b> |             | <b>1.15%</b> |
| <b>Cost/assets ratio</b>   |   |              |             |              |              |             |              |
| Annualised total operating expenses excluding regulatory levies as a percentage of average month-end total assets for the reporting period   | Operating expenses excluding regulatory levies      | 766          |             | 766          | 586          | 23          | 609          |
|  | Average month-end total assets                      | 72,461       |             | 72,461       | 73,763       |             | 73,763       |
|  | <b>Cost/assets ratio</b>                            | <b>1.06%</b> |             | <b>1.06%</b> | <b>0.79%</b> |             | <b>0.83%</b> |



## Cost of risk

| Definition  | in € millions  | 2023          | 2022         |
|---|--|---------------|--------------|
| <b>Cost of risk</b>   |  |               |              |
| Impairment charges of financial assets as a percentage of average month-end loan portfolio exposure for the reporting period. | <b>Total loans and advances to customers</b>                   |               |              |
|   | Impairment charges of financial assets - total loans           | 16            | 39           |
|   | Average month-end portfolio exposure - total loans             | 51,668        | 50,705       |
|   | <b>Cost of risk total loans and advances to customers</b>      | <b>0.03%</b>  | <b>0.08%</b> |
| <b>Residential mortgages</b>  |  |               |              |
| Impairment charges of financial assets as a percentage of average month-end loan portfolio exposure for the reporting period. | Impairment charges of financial assets - residential mortgages | 9             | 17           |
|   | Average month-end portfolio exposure - residential mortgages   | 48,569        | 47,892       |
|   | <b>Cost of risk residential mortgages</b>                      | <b>0.02%</b>  | <b>0.04%</b> |
| <b>SME loans</b>  |  |               |              |
| Impairment charges of financial assets as a percentage of average month-end loan portfolio exposure for the reporting period. | Impairment charges of financial assets - SME loans             | -1            | 2            |
|   | Average month-end portfolio exposure - SME loans               | 1,162         | 968          |
|   | <b>Cost of risk SME loans</b>                                  | <b>-0.09%</b> | <b>0.21%</b> |

## Loan-to-Deposit ratio (LTD)

| Definition  | in € millions  | 2023          | 2022          |
|---|--|---------------|---------------|
| <b>Loan-to-Deposit ratio</b>  |  |               |               |
| Loans and advances to retail customers as a percentage of amounts due to retail customers | Total loans and advances to customers                  | 50,847        | 48,966        |
|   | IFRS value adjustments                                 | -1,316        | -2,040        |
|   | Loans and advances to other corporates and governments | 285           | 315           |
|   | <b>Loans and advances to retail customers</b>          | <b>51,878</b> | <b>50,691</b> |
| Amounts due to retail customers as a percentage of amounts due to retail customers        | Total amounts due to customers                         | 54,910        | 57,150        |
|   | Amounts due to non-retail customers                    | 586           | 527           |
|   | <b>Amounts due to retail customers</b>                 | <b>54,324</b> | <b>56,623</b> |
|   | <b>Loan-to-Deposit ratio</b>                           | <b>95%</b>    | <b>90%</b>    |



Sustainability statements

## 2. Sustainability statements

### Introduction

The sustainability information in this chapter provides insight into how de Volksbank deals with important environmental, social, and governance (ESG) topics. We describe how we determined our material ESG topics and how we relate to them. Environmental information for example includes our EU Taxonomy-related results. Social information, among other aspects, includes information about our employees. Under Governance information, we include information that for instance regards our sustainability policies.

### In this chapter:

#### 2.1 General information:

[2.1.1 Our approach to stakeholder engagement](#)

[2.1.2 Membership associations and collaborations](#)

[2.1.3 Materiality assessment](#)

#### 2.2 Environmental information

#### 2.3 Social information

#### 2.4 Governance information





### 2.1 General information

In this Chapter we present our sustainability information in accordance with the Global Reporting Initiative (GRI) 2021 Standards. More details about our reporting approach can be found in Section [Our approach to reporting](#). The term 'Environmental, Social and Governance', in other words ESG, has become an industry standard for categorising sustainability by means of these three themes. Our risk management related to sustainability are described in more detail in Section [4.9 Sustainability Risk](#).

### 2.1.1 Our approach to stakeholder engagement

The stakeholders of de Volksbank are persons or organisations that are affected by or have an interest in our activities. As part of our Double Materiality Assessment, we identified and categorised our stakeholders, with a clear objective: to listen, engage and collaborate effectively with each other. We aim to create shared value for employees, customers, society and the shareholder, considering their interest and views equally. This integration covers a wide range of topics and enables de Volksbank to carefully consider the setting of stakeholders and our collaboration with them. This year, de Volksbank added 'nature' as a silent stakeholder within society, recognising the interlinkage between society and nature and the relevance of this as a supporting elements for the continuance of our business operations. De Volksbank carefully considers the interest of our stakeholders when formulating or adapting our strategy and business models. Adjustments will always be aimed at strengthening stakeholder relationships and be grounded in transparency, responsiveness and a commitment to aligning interests.

## Our approach to stakeholder engagement

| For who we create value   | How we engage with the stakeholder   | Engagement goals   | Examples of stakeholder expectations <sup>1</sup>  | Examples of activities relating to these topics   |
|---|--|--|--|---|
|  <p><b>Our customers</b><br/>Retail, SME and (semi-) public customers</p>   | <ul style="list-style-type: none"> <li>• Customer surveys</li> <li>• Social media interactions</li> <li>• Customer-oriented IT structure</li> <li>• De Volksbank's Newsroom</li> <li>• Personal interactions</li> </ul>  | <ul style="list-style-type: none"> <li>• Improve customer satisfaction</li> <li>• Allow for shared social values and standards</li> </ul>  | <ul style="list-style-type: none"> <li>• Fair and transparent products</li> <li>• Enhanced customer experience with a comprehensive range of products</li> <li>• Protection of personal data and handling it with care</li> </ul>  | <ul style="list-style-type: none"> <li>• SNS customers get a signal when they can improve on their financial affairs. (e.g. when there is an opportunity to lower the interest rate) <a href="#">MT Customer relationship and service</a></li> <li>• BLG Wonen organises the annual Housing Debate to discuss housing issues and related solutions <a href="#">MT Local entrepreneurship accessible housing and quality of life in communities</a></li> <li>• All brands launched a new banking app <a href="#">MT Customer relationship and service</a></li> </ul>   |
|  <p><b>Society</b><br/>Civic engagement with e.g. advice organisations, local communities, the government and supervisory authorities</p> | <ul style="list-style-type: none"> <li>• Community outreach programmes</li> <li>• Creating new and maintaining old collaborations with environmental representatives</li> <li>• Public fora</li> <li>• Knowledge network memberships ensures engagement with partners and NGOs</li> </ul>  | <ul style="list-style-type: none"> <li>• Corporate social responsible activities on topics such as accessibility to the housing market, entrepreneurship and quality of life in communities</li> <li>• A sound Product Approval and Review Process (PARP) that helps guarantee responsible investing and financing</li> </ul>                | <ul style="list-style-type: none"> <li>• Involvement in and cooperation on sustainable business practices, and non-engagement in activities that harm humans or nature, considering our climate and biodiversity impact</li> <li>• Positive social contributions</li> </ul>  | <ul style="list-style-type: none"> <li>• De Volksbank's strategy focusses on strengthening the customer relation and enhance social impact. Incorporating fair and transparent products and services contribute to people's financial resilience and facilitate equality of opportunity, thus promoting financial inclusion <a href="#">MT Fair and transparent products</a></li> <li>• RegioBank organises the annual National Village Summit to demonstrate the power, potential and liveability of regional areas, smaller towns and villages across the country. They organise it together with local entrepreneurs, financial advisers, regional administrators and active volunteers <a href="#">MT Local entrepreneurship accessible housing and quality of life in communities</a></li> </ul> |
| <p><i>We consider nature to be a sub-stakeholder and, therefore, engage with members of environmental organisations</i></p>   | <ul style="list-style-type: none"> <li>• <i>We support and encourage eco-friendly initiatives</i></li> <li>• <i>Partnerships with NGOs (i.e. Naturalis, Urgenda and IVN natuureducatie)</i></li> </ul>   | <ul style="list-style-type: none"> <li>• <i>Contribute to the preservation and restoration of nature</i></li> <li>• <i>Create awareness within society in regard to the preservation and restoration of nature</i></li> <li>• <i>Promoting the connection with nature to achieve a resilient and climate adaptive environment</i></li> </ul> | <ul style="list-style-type: none"> <li>• <i>Compliance with environmental regulations</i></li> <li>• <i>No investments in sectors with a significant negative impact on nature</i></li> </ul>  | <ul style="list-style-type: none"> <li>• <i>Publication Make Nature Count 2.0 in which we include the monetary value of nature in the context of investments</i> <a href="#">MT Climate change</a></li> <li>• <i>ASN Bank collaboration with IVN nature education in relation to the project 'nature connection in the daily environment'</i></li> <li>• <i>ASN Bank collaboration with the Urgenda Foundation concerns 'More Trees Now'</i></li> <li>• <i>Transparent reporting on environmental, social and governance practices</i> <a href="#">MT compliance with laws and regulations</a></li> </ul>   |
|  <p><b>Our employees</b><br/>Full-time, part-time and temporary employees</p>   | <ul style="list-style-type: none"> <li>• The Works Council is in continuous dialogue with employees and discusses topics of concern with the Executive Committee</li> <li>• We conduct an employee survey twice a year requesting feedback from employees</li> <li>• We organise webinars to give updates on the strategy</li> <li>• We publish vlogs, blogs and podcasts</li> <li>• We organise employee feedback sessions (SNS Adviseurspanel)</li> <li>• We organise training programmes (e.g. in relation to cyber security Pega and tax returns)</li> </ul> | <ul style="list-style-type: none"> <li>• Employee satisfaction and development</li> <li>• Fostering genuine attention for our employees</li> <li>• Engaged and vital employees</li> </ul>  | <ul style="list-style-type: none"> <li>• Employer engagement by contributing to the mission and strategy of de Volksbank</li> <li>• A safe, healthy, inclusive and inspiring working environment</li> <li>• Genuine attention to autonomy, professionalism and personal growth of employees</li> <li>• A risk-aware and future-proof employer</li> </ul> | <ul style="list-style-type: none"> <li>• Set up of Ethics Committee, which is in charge of promoting ethical conduct and creating awareness of social responsibility among employees <a href="#">MT Ethical business conduct</a></li> <li>• Participation in the Financial Health Barometer (NIBUD).</li> <li>• Conducting an organisational integrity survey</li> <li>• Sustainable commuting <a href="#">MT Climate change</a></li> <li>• Involving employees in Eurowijs guest lessons, and introducing diversity day, risk awareness day, trainings and awareness sessions <a href="#">MT Corporate governance and ownership</a> <a href="#">MT Macro-economic and geopolitical developments</a></li> </ul>   |
|  <p><b>Our shareholder</b><br/>NLF is sole shareholder in de Volksbank on behalf of the Dutch State</p>                                 | <ul style="list-style-type: none"> <li>• Continuous dialogue with NLF throughout the year</li> <li>• Annual shareholder meetings</li> <li>• In close collaboration through our Investors Relations department</li> <li>• Surveys (Consultations) to determine our material topics</li> </ul>   | <ul style="list-style-type: none"> <li>• Generate stable and adequate returns</li> <li>• Progress on strategic goals in close collaboration with NLF</li> </ul>  | <ul style="list-style-type: none"> <li>• Higher profitability</li> <li>• Long-term growth and establishing lasting longevity</li> <li>• Remaining a robust and strong bank</li> </ul>  | <ul style="list-style-type: none"> <li>• Reports on our financial performance and future goals in relation to aspects such as the leverage ratio (Basel IV) or Return on Equity (ROE) <a href="#">MT Responsible financial results</a></li> <li>• Proactive outreach to address investor concerns and provide a clear understanding of risk management strategies in order to manage shareholder expectations <a href="#">MT Responsible investment and financing</a></li> </ul>  |

<sup>1</sup> Based on the materiality assessment conducted among our stakeholders. See Section 2.1.3 for more information.

## 2.1.2 Membership associations and collaborations



De Volksbank and its four bank brands enter into social collaborations and partnerships, such as with Partnership Carbon Accounting Financials, Platform Living Wage Financials, and Partnership Biodiversity Accounting Financials in addition to committing to the Principles for Responsible Banking (PRB) and the Dutch National Climate Agreement.

We are aware that the positive change we envision requires partnerships and collaboration within and outside of the financial sector. We aim to initiate, accelerate and facilitate partnerships to achieve positive impact. This is part of our commitment to contribute to SDG 17: Partnerships for the Goals. Read more about our contribution to the SDGs in Section [Our contribution to five Sustainable Development Goals](#). The following are some examples of our collaboration with stakeholders.

### Dutch Debt Relief Programme (NSR)

Dutch Debt Relief Programme (*Nederlandse Schuldhulp Route*) is a public-private partnership of companies, municipalities, (aid) agencies and other cooperation partners. Together they work towards a financially strong and stable country. NSR provides assistance to people and companies with financial worries at an early stage as well as when debts arise. De Volksbank is member of the NSR.

### MVO Nederland

*MVO Nederland* (CSR Netherlands) is the movement for entrepreneurs in the New Economy. The New Economy develops products and services that contribute to the climate solution. The envisioned New Economy is climate neutral, circular, inclusive and has transparent supply chains. It has created a network of partners who implement innovations in order to attain a futureproof New Economy. We are a partner of MVO Nederland.

### Volunteering platform NLvoorelkaar

*NLvoorelkaar* is the largest Dutch volunteering platform, where the supply and demand meet. This platform, on which 235,000 participants, 80 local platforms, 65 participating municipalities and 15,000 social organisations are active, can make an even bigger impact. Our employees have the possibility to take special paid leave for volunteering, with a length of maximum three times the average number of working hours per day in 2023. In 2023, our employees completed 8,414 hours of volunteering.

### Oranje Fonds

*Oranje Fonds* is a Dutch foundation based in Utrecht that provides funds to foundations and associations to strengthen the social aspects of society. RegioBank

and the Oranje Fonds have a joint fund that supports social initiatives that promote a sense of community among people and the quality of life in communities (VoordeBuurt Fonds). This year, the Oranje Fonds supported 33 social projects across the Netherlands.

### Partnership for Carbon Accounting Financials (PCAF)

PCAF is a global partnership of financial institutions that collaborates to develop and implement a harmonised, transparent, and uniform approach to measure and disclose the greenhouse gas (GHG) emissions associated with loans and investments. The initiative for the PCAF was led by ASN Bank in 2015 and has since grown into a global initiative. As at year-end 2023, 450+ financial institutions, representing over \$ 85 trillion, are already committed to measuring and disclosing financed emissions by means of the PCAF methodology. De Volksbank is a member of multiple working groups within PCAF Netherlands.

### Partnership for Biodiversity Accounting Financials (PBAF)

The Partnership for Biodiversity Accounting Financials (PBAF) was initiated in November 2019 by ASN Bank together with 5 founding partners. PBAF's primary aim is to develop the 'PBAF Standard', enabling financial institutions to assess and disclose impact and dependencies on biodiversity of loans and investments. PBAF provides practical guidance to financial institutions on biodiversity impact. In 2023, the PBAF initiative grew to 57 financial institutions, representing 15 countries and is acknowledged by various initiatives, including the Taskforce on Nature-related Financial Disclosures (TNFD).

### Platform Living Wage Financials (PLWF)

PLWF was founded by ASN Bank, Triodos Bank IM and Dutch pension administrator MN. Within PLWF, we are strongly convinced that a living wage is a salient human right that requires urgent attention by companies all over the world. Under the PLWF umbrella, financial institutions come together to encourage, support, assess, and monitor investee companies with regard to their commitment to enable a living wage to be paid to the workers in their supply chains.

### Nederlandse Vereniging van Banken (NVB)

*De Nederlandse Vereniging van Banken* (Dutch Banking Association) strives to achieve a strong, healthy and internationally competitive banking system for banks and credit institutions operating in the Netherlands and abroad. NVB is the link between the banking sector, the government and the public, and contributes to a vital and sustainable financial sector. De Volksbank is member of de NVB.

### TIBER & TMNL

Organisations in the financial sector are collaborating to be more resistant to cyber-attacks. They do so in the TIBER-NL programme, which is led by the Cyber Unit

of *De Nederlandsche Bank* (DNB). TIBER stands for Threat Intelligence Based Ethical Red-teaming. In addition, Dutch banks, including de Volksbank, have joined forces under the name 'Transactie Monitoring Nederland' (TMNL). Together, they are fighting financial crime by monitoring the banks' payment transactions for signals that could indicate money laundering and/or terrorist financing.

#### **Vereniging Eigen Huis (VEH) & Nationale Hypotheek Garantie (NHG)**

VEH, the Dutch National Homeowners Association, is an organisation for private individuals who own or want to own a home. NHG, the National Mortgage Guarantee, offers a safety net in case someone is no longer able to pay the mortgage. By sharing practical experiences, BLG Wonen is trying to influence policymaking at macro level: with a view to making an impact now and in the future, for people and society alike.

#### **GeWorld Savings Banks Institute (WSBI)/European Savings Banks Group (ESBG)**

WSBI focusses on international regulatory issues that affect the savings and retail banking industry. It supports the G20 aims to achieve sustainable, inclusive, balanced growth and job creation, whether in industrialised or newly industrialised countries. ESBG is an association that represents the European banking sector with a local focus, helping savings and retail banks in 21 European countries strengthen their unique approach to provide service to local communities and boost SMEs. De Volksbank's CEO takes part in the board at WSBI/ESBG.

#### **UNEP PRB Biodiversity Community**

A programme aimed at building knowledge for PRB-committed banks that have begun to work on biodiversity and want to learn how to integrate biodiversity into their operations and strategies. De Volksbank is a member and part of working groups.

#### **Biodiversity Working Group of the Sustainable Finance Platform**

The Sustainable Finance Platform was established by De Nederlandsche Bank (DNB) in 2016 to promote sustainability in the Netherlands. Together with seven financial institutions and two other organisations de Volksbank joined forces in the platform's Working Group on Biodiversity.

### 2.1.3 Materiality assessment

We conduct a comprehensive materiality assessment every other year. In the intermediate years, we validate and evaluate the accuracy of our material topics. In 2023, we carried out a comprehensive materiality assessment, in accordance with the Global Reporting Initiative (GRI) and taking into account the European Sustainability Reporting Standards (ESRS). The results form the basis for our disclosures related to Environmental, Social and Governance (ESG) topics.

#### Double materiality

Double materiality is a concept that has two dimensions, i.e. impact materiality and financial materiality. Impact materiality is about whether or not an organisation has, or may have, influence (impact) on the lives or well-being of other people, things or nature as a whole. These impacts can be either negative or positive and actual or potential. A topic is defined as financially material if the decision of primary users of our disclosures could reasonably be expected to be influenced by omitting, misstating or obscuring information on that specific topic in the sustainability statements. Topics may be material from an impact perspective, financial perspective or from both perspectives. The concept differs from financial materiality within IFRS reporting for the following reasons. Sustainability reporting includes disclosures about potential effects of material risks or opportunities that are not, or not fully, captured by financial reporting at the reporting date. In addition, future events may trigger anticipated sustainability-related risk and opportunities while financial statements typically account for risks based upon past events. Thus, financial materiality within IFRS reporting is considered to be applied ex post, and for sustainability reporting the scope is extended to ex ante. This means that under IFRS, only exposures, operations,

risks or impacts that already exist on the balance sheet, or are a direct consequence thereof, are included in the assessment. With sustainability reporting the scope is extended to matters that may have an impact in the future and on matters that are not (yet) recognised on the balance sheet. This may include for example intellectual, manufactured, human, social and relationship capital.

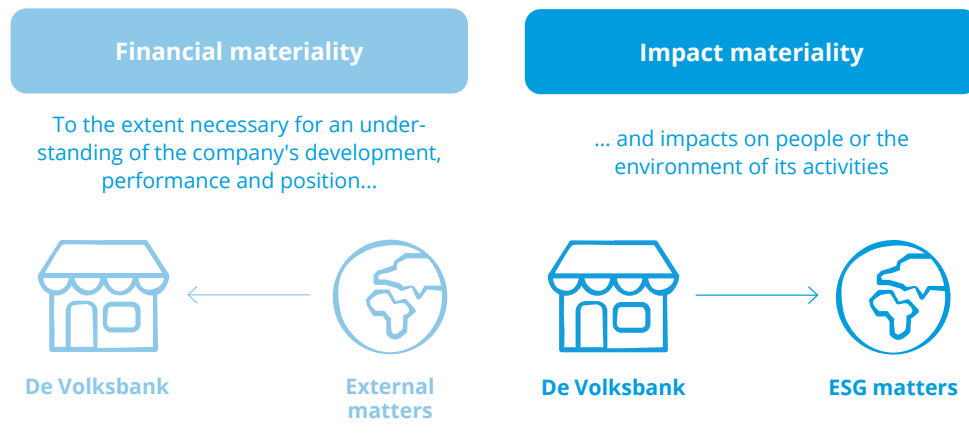
#### Materiality assessment process

We began by conducting a context analysis, of which the value chain in Section 1.1.3 [How we create value](#) and the stakeholder map on the next page are the result. The value chain shows what we consider to be our scope for the double materiality assessment.

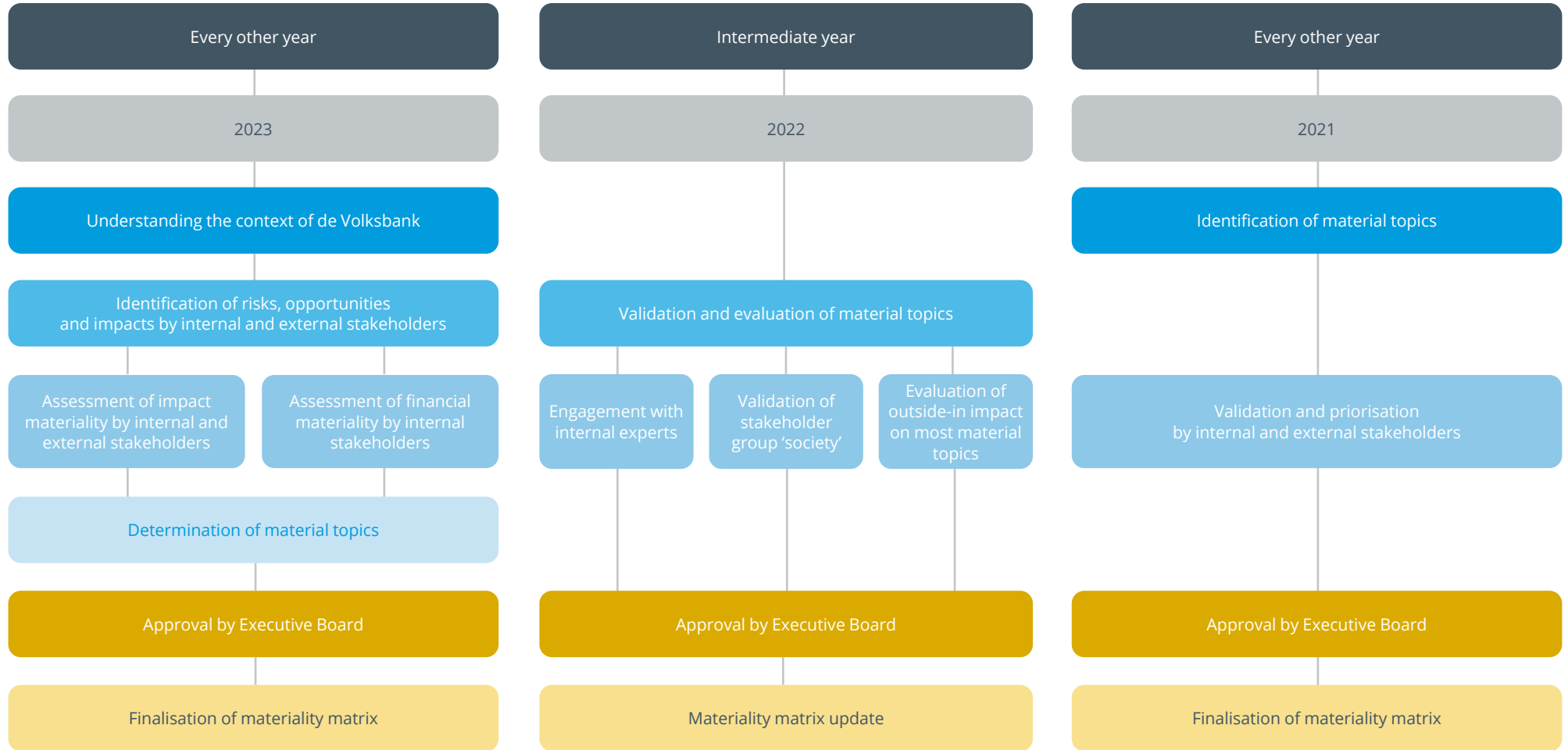
The next step was the creation of a longlist of potentially material topics, based on topics of the ESRS, GRI and entity specific topics, complemented by analysing relevant internal and external documentation. Based on the frequency of occurrence of the topics in the documentation, we narrowed down this list of topics to a shortlist. The identification and assessment of impacts for shortlisted topics was carried out by internal and external stakeholders. Internal stakeholders were asked to identify and assess impacts (including potential impacts on human rights) based on factors such as scale, scope, irremediability and likelihood using a five-point Likert scale. Topics that scored "significant"/score 4 on the five-point Likert scale or higher are deemed impact material. External stakeholders were asked to rank topics in order of magnitude of the impact de Volksbank may have by means of a survey. In addition, they were asked if they felt any topics were missing. The results of internal experts and external stakeholders formed the material topics from impact perspective.

The financial materiality assessment was conducted by internal risk and strategy experts for both risks and opportunities. Any dependence on natural or social resources was taken into account and factors such as potential size and likelihood using five-point Likert scales. A sustainability topic will be considered financially material if it scores at least "likely"/score 3 on the five-point Likert scale for likelihood and at least "high"/score 4 on the five-point Likert scale for the potential size of the impact.

Our 2023 materiality assessment has been expanded compared to the assessment conducted in 2021, especially to prepare for the ESRS with which we will have to comply in 2024. We will further improve our materiality assessment in 2024. New steps in the 2023 process were understanding the context of de Volksbank and the assessment of financial materiality by internal stakeholders. In addition, an assessment on scale, scope, irremediability, likelihood and adverse impact on human rights are taken into account, including quantitative thresholds. The outcomes of the assessment were reviewed by the Social Impact Committee (SIC) and approved by the Executive Committee (ExCo).



Materiality assessment process

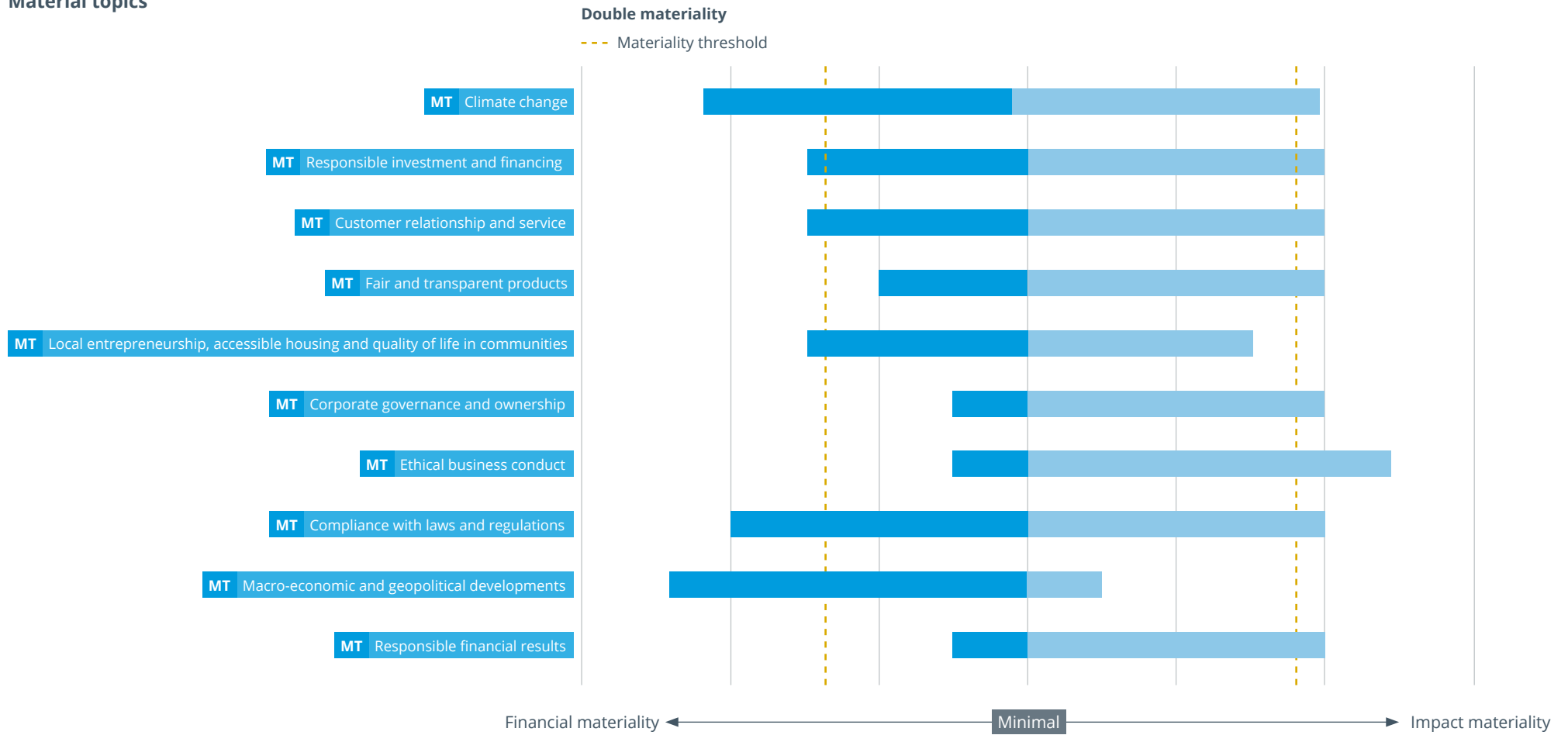




**Material topics**

The table below shows the list of the material topics. The materiality matrix depicts the results of the 2023 double materiality assessment. The thresholds in the materiality matrix indicate in which perspective a topic is assessed as material. For example, material topic 'Customer relationship and service' is material from both an impact and financial materiality perspective.

**Material topics**



### Changes in material topics

Compared to the previous reporting period, the topic ‘data privacy and security’ is no longer considered to be material. Previously the topic scored high on the axis of importance to our stakeholders. This year the topic did not meet the threshold. Internal experts assessed our impact to be ‘informative’ at most. From a risk perspective (financial materiality), the costs driven by external factors related to this topic were assessed as incidental and lower than the costs that are already part of our strategy to improve data management. Nevertheless, internally we pay serious attention to this topic. We determined three new topics as material for the current reporting period. The theme of ownership was included in the topic ‘corporate governance and ownership’ as an increasingly actual topic for our organisation while future ownership options are being considered. Internal experts scored this topic high from an impact perspective, due to the significant positive impact of our social identity in the Netherlands. The topic ‘ethical business conduct’ also scored higher from an impact perspective compared to previous reporting period. Our (potential) positive impact was assessed as ‘critical’ by internal experts, citing our prompt execution of geopolitical sanctions and prioritization of client integrity.

The topic ‘macro-economic and geopolitical developments’ was added in this reporting period, as we explicitly included the perspective of financial materiality in our assessment. Due to the high impact of risks related to increased geopolitical instability and the rapidly changing interest rate environment (see also section 4.5 Market risk), the topic was assessed as financially material for de Volksbank by internal experts. We also refined the scope and definition of our shortlisted topics, resulting in different wording for three material topics. The topic of ‘climate change’ now integrates both materiality perspectives, making it also financially material from an opportunity-perspective. The sustainability theme was excluded from the topic ‘fair and transparent products’, in order to better assign sustainability-related impacts, risks and opportunities to the specific themes of other topics (e.g. climate change). Similarly, the topic ‘local entrepreneurship, accessible housing and quality of life in communities’ was specified to better align with actual themes within our business.

### Management of material topics

Our sustainability statement disclosures are based on our material topics. The progress on four material topics are also disclosed in quantitative KPI metrics.

| Material topics 2022 <sup>1</sup>                   | Material topics 2023 <sup>2</sup>   | Section  | Indicators  |
|---|---|--|---|
| Climate impact                                      | Climate change  | <a href="#">2.2.1</a>  | <ul style="list-style-type: none"> <li>Strategic KPI Climate-neutral balance sheet</li> </ul>   |
| Responsible investment and financing                | Responsible investment and financing  | <a href="#">2.2.2</a>  | <ul style="list-style-type: none"> <li>Strategic KPI Climate-neutral balance sheet</li> <li>KPI Net positive effect on biodiversity</li> <li>KPI Living wage</li> </ul>             |
| Customer relationship and service                   | Customer relationship and service   | <a href="#">2.3.1</a>  | <ul style="list-style-type: none"> <li>Strategic KPI active multi-customers</li> <li>Strategic KPI Net Promoter Score</li> <li>Strategic KPI Customer Relationship Score</li> </ul> |
| Fair and transparent products                       | Fair and transparent products   | <a href="#">2.3.2</a>  | <ul style="list-style-type: none"> <li>Internal indicator</li> </ul>  |
| Social engagement, cooperation and entrepreneurship | Local entrepreneurship, accessible housing and quality of life in communities | <a href="#">2.3.3</a>  | <ul style="list-style-type: none"> <li>Indicators in development</li> </ul>   |
| -   | Corporate governance and ownership  | <a href="#">2.4.1</a>  | <ul style="list-style-type: none"> <li>No indicator</li> </ul>  |
| -   | Ethical business conduct  | <a href="#">2.4.3</a>  | <ul style="list-style-type: none"> <li>Internal indicator</li> </ul>  |
| Compliance with laws and regulations                | Compliance with laws and regulations  | <a href="#">2.4.4</a>  | <ul style="list-style-type: none"> <li>Internal indicators</li> </ul>   |
| -   | Macroeconomic and geopolitical developments                                   | <a href="#">Our operating environment</a><br><a href="#">4.1.2</a> <a href="#">4.4</a> <a href="#">4.5</a> | <ul style="list-style-type: none"> <li>Internal indicator</li> </ul>  |
| Responsible financial results                       | Responsible financial results   | <a href="#">1.3</a>  | <ul style="list-style-type: none"> <li>Strategic KPI Return on Equity</li> <li>Strategic KPI Dividend pay-out ratio</li> </ul>  |
| Data privacy and security                           | -   | -  | -   |

1 Material topics in 2022 were assessed on de Volksbank's impact on these topics and the importance to our stakeholders.

2 Material topics in 2023 were assessed on impact materiality and financial materiality.

## 2.2 Environmental information

### Introduction

De Volksbank has an impact on the environment, and environmental developments have an impact on de Volksbank. The environmental impact that we cause results from our investment and financing activities, and our own business operations. We focus on environmental impacts as they relate to two of our three sustainability policy pillars, i.e. climate and biodiversity. Human rights is the third pillar.

#### In this section:

##### 2.2.1 Climate change:

Emissions

Our strategic KPI to a climate-neutral balance sheet by 2030

Net zero by 2050

Science Based Targets

##### 2.2.2 Responsible investment and financing:

KPI Living wage

##### 2.2.3 EU Taxonomy

##### 2.2.4 Biodiversity

### 2.2.1 Climate change MT

We want to make a positive contribution to the climate by limiting our direct and indirect emissions, actively supporting our customers to reduce their negative climate impact, and collaborating with partners to develop industry standards for impact measurement. We also need to adapt to the already changing climate and be aware of the financial implications of climate change on our business.

The world is facing a series of unprecedented environmental challenges. We are of the opinion that climate change is by far one of the most pressing challenges that may have irreversible impact on our society. Although de Volksbank made significant progress in combatting climate change in the last decade based on our climate-neutral balance sheet target, we are well aware that we need to step up our efforts to transition towards net zero emissions. We need to act faster and more inclusively, in line with our [Climate Action Plan](#). As a bank with ambitions on sustainability and society, our customers expect nothing less.

<sup>1</sup> The proposal of the Corporate Sustainability Due Diligence Directive (CSDDD) and Dutch IMVO law.

### Impact

To identify and assess our climate impact, we measure, report and set targets for both our indirect (financed) and direct greenhouse gas (GHG) emissions. For more information on this topic, including our strategic objective of a climate-neutral balance sheet, see the section Emissions below.

The negative impact on the climate through our own activities is relatively low. This negative impact is caused by our business operations, such as commuting, business travel, and heating and appliances in our buildings.

Our negative indirect impact is more material through our business relationships. This is mostly caused by our mortgage portfolio of residential and commercial immovable property, especially with a low energy efficiency rating.

Most of our positive impact related to climate change mitigation is achieved through our investments in sustainable projects. These include projects related to wind and solar energy, innovative sources of sustainable energy, storage of all different sources of sustainable energy, and other activities that support the transition to a climate-neutral economy. For more information on our sustainable financing activities, see Section 2.2.2 Responsible investment and financing.

By supporting our mortgage customers with banking and non-banking products, we have an indirect positive impact as well. We increase livability and help our clients via our products by enabling and stimulating them to make their homes more sustainable, whether they end up making their home more sustainable via our products and services or elsewhere.

Furthermore, to increase our impact we perform various lobby activities, such as our call to include the financial sector in new due diligence regulation<sup>1</sup> and our support for the call for a Fossil Fuel Non-Proliferation Treaty. We also participate in various working groups to uniform sustainability definitions, methodologies and reporting methods for the financial sector. Examples include the Partnership Carbon Accounting Financials (PCAF), Partnership for Biodiversity Accounting Financials (PBAF), and the Energy Efficient Mortgage NL Hub.

### Risks and opportunities

The risk type associated with this material topic is sustainability risk. As described in our risk profile, de Volksbank's exposure to sustainability risk primarily follows from our focus on residential mortgages in the Netherlands (see Section 4.9 Sustainability risk for more information). Sustainability risk is also considered a risk driver for other risk types within the risk framework of de Volksbank. For example, an increased risk of floods or droughts (pile rot) may lead to deterioration of our mortgages

collateral, which in turn may lead to an increase in credit risk. We have assessed that sustainability risks do not have a material financial impact on the financial results of 2023, our strategy or our business operations.

Our carbon dioxide emissions are largely caused by our mortgage portfolio. As we will alter our strategic climate objective to a net zero balance sheet (for more information, see the section Climate Action Plan below), it will be even more important to reduce those emissions. But the influence we can exert on our customers is limited, mainly to lobbying and engagement efforts. External factors, such as laws and regulations and the high energy prices, have a greater influence.

With increasing laws and regulations and climate action plans throughout the financial sector, there is a lot of attention on the subject. We notice that consumers are increasingly taking sustainable and social impact into account in their consumption choices, which creates opportunities to attract new customers in the competitive market for banking services. These opportunities can have material financial implications in the short- and medium term in the form of increased revenues (interest and fee income). Since 2016, we have positioned ourselves as a frontrunner in the financial sector by being one of the first to introduce a climate-related target that takes into account all relevant asset classes on our balance sheet and accounts for both negative and positive impacts. The goal is to obtain a climate-neutral balance sheet by 2030. This has been embedded in the organisation as a strategic KPI and has our ongoing attention. De Volksbank strives for responsible financial results based on our shared value ambition, which is a way to manage the costs that are related to these opportunities.

Additionally, lower dependence on fossil fuels due to increased resource efficiency and the use of different energy sources creates lower exposure to the (potential future increase in) costs of these fossil fuels. For de Volksbank, these opportunities lie mostly in more energy efficient offices and buildings, using a fully electric lease car fleet, and stimulating employee commute by bicycle and public transport. Metrics for these climate-related opportunities include the Science Based Target for scope 1 and 2 emissions (see the section Science Based Targets below) and the percentage electric lease fleet (see the section Sustainable commuting below).

### Management, actions and procedures

The aim of our sustainability policies and commitments in relation to climate impact is to minimise our negative impact and increase our positive impact. For more information, see Section [2.4.2 Sustainability governance and policies](#).

Our impact on the climate is mainly through emissions that we finance through our loan portfolio. We use a carbon mitigation hierarchy as a framework to manage our mitigating actions. This tool prioritises the effectiveness of climate change

mitigation measures. Firstly, the greatest direct impact is achieved by avoiding GHG emissions. Consequently, we do not invest in companies that are involved in fossil fuel production, produce energy with fossil fuels or use fossil fuels for an emission-intensive production process. Secondly, it is important to reduce GHG emissions. The third step in the carbon mitigation hierarchy is to substitute energy sources that emit GHG emissions. For many years, we have been investing in (large-scale) wind and solar energy as well as in biomass projects through project finance. And the fourth is to remove GHG emissions from the atmosphere and store for a long time. We prefer natural storage over carbon capture and storage (CCS), and are therefore studying the potential for investing in regenerative agriculture and biobased construction. CCS is not only more expensive in terms of construction and operation, but also more energy intensive. In addition, nature-based solutions can also offer benefits for biodiversity.

Apart from this, we finance homes with the entire range of energy efficiency ratings (A-G), allowing homeowners with a low energy efficiency rating to implement measures to make their home more sustainable. In 2023, we introduced a new mortgage, the *Bespaarhypotheek*. This mortgage provides an interest rate discount when homeowners implement energy-saving measures towards a higher energy efficiency rating.

We have been taking initiatives on sustainable housing since 2016. Helping homeowners to make their homes more sustainable is something that we consider to be in line with our broader integral customer approach and which is key in realising our goal to reduce carbon emissions. We engage with our customers and seek collaboration with partners to make our customers aware of the benefits of and possibilities in making their homes more sustainable.

As a bank, we have a significant (indirect) impact on the climate. We measure our indirect impact by means of our goal of obtaining a climate-neutral balance sheet by 2030. We have set portfolio targets on the most relevant assets in terms of size and emissions. The targets are recalibrated annually to align with the annual update of the operational plans and to ensure effective steering. We monitor the emissions and progress made towards the portfolio targets on a monthly basis and discuss the progress on a quarterly basis in the Social Impact Committee to ensure appropriate measures are taken to achieve our targets. We have also set Science Based Targets for our buildings and car fleet, as well as for our mortgage, investments and sustainable energy portfolios. These Science Based Targets are ambitious in accordance with a 1.5°C emission reduction pathway, and with emission reduction targets substantiate both our goal of obtaining a climate-neutral balance sheet by 2030 and our ambition to achieve net zero emissions. The targets are included at the end of this section.

## Climate Action Plan

In December 2022, de Volksbank published its [Climate Action Plan](#) (CAP). Based on this plan, we will modify our strategic KPI from a climate-neutral balance sheet by 2030 to a net zero balance sheet by 2050. More information on these different ambitions is included at the end of this section. We will continue this modification in the 2024 reporting year, by defining a net zero KPI and integrating into our systems the calculation methodology, reporting requirements and related governance. In 2023, we took various preparatory steps; we established the baseline emissions and developed a scenario analysis, allowing us to develop the objective in more detail. Achieving a net zero balance sheet requires far-reaching emissions reduction in line with the Paris Agreement. The scenario analysis was used to examine the dependencies, control options and uncertainties involved in achieving a net zero balance sheet by 2050. We also made a first interpretation of related risks and financial implications. This analysis needs further elaboration and needs to be reconciled with our business plan activities and management steering.

In the coming years, we will make an inventory of our existing range of sustainability-related products and services to explore improvement opportunities. Besides the *Bespaarhypotheek*, we introduced several other new products in 2023. We launched a pilot for existing mortgage customers to borrow more on their mortgage online to take energy-saving measures to make their home more sustainable, without paying an advisory fee. In addition, through our partners, ASN Bank customers can now opt for roof insulation made of circular materials. We will further explore the possibilities in using circular materials for other insulation measures. Our financial advisers have been trained to help customers with sustainable housing-related financial products. In the period ahead, we will continue to train our advisers in this field of expertise.

We conducted a feasibility study to assess the potential for investing in projects and companies that remove GHG emissions from the atmosphere. We will continue this research in the coming periods to identify the impact on risk, price and capital allocation.

Some of the actions in our CAP we have not yet implemented, or we consider unfeasible. Converting shops and offices into homes is such an example; firstly, because it is not in line with our core business and secondly because we lack the expertise to do so.

Progress on the CAP is monitored by our Social Impact Committee (SIC).

## Dilemma: Net zero and housing accessibility

As we are in the process of modifying our strategic climate KPI to a net zero balance sheet, it will become even more important to reduce the emissions caused by our mortgage portfolio. It is our goal to make the Dutch housing market more accessible. As part of our social profile, we finance homes with the entire range of energy efficiency ratings, allowing homeowners with a low energy efficiency rating to implement measures to make their home more sustainable. As a result, the current distribution of our mortgage portfolio based on definitive energy efficiency ratings may be less favourable than those of our peers.

## Emissions

In this section, we highlight our views on GHG emissions and how we cause them. From here onwards, we will generally speak of CO<sub>2</sub>-equivalents, or, in short CO<sub>2</sub>e emissions. To understand our impact, it is helpful to think of three scopes of emissions (scope 1, 2 and 3) which are explained below.

### Financed emissions

As a result of our financing activities, the vast majority of our scope 1, 2 and 3 emissions fall into the scope 3 category 15 emissions (investments). Our [sustainability policy](#) excludes financing GHG-intensive activities and companies such as fossil fuel companies. Apart from this, our mortgages, loans and other assets do also account for a significant amount of CO<sub>2</sub>e emissions.

De Volksbank's financial assets mainly consists of (residential) mortgages. We acknowledge that housing is a significant contributor to climate change and we therefore consider it our responsibility to encourage homeowners to make their homes (more) energy efficient and help them do so.

Our efforts to limit the impact of our mortgage portfolio on climate change are based on two key elements, namely giving advice on and supporting our customers on:

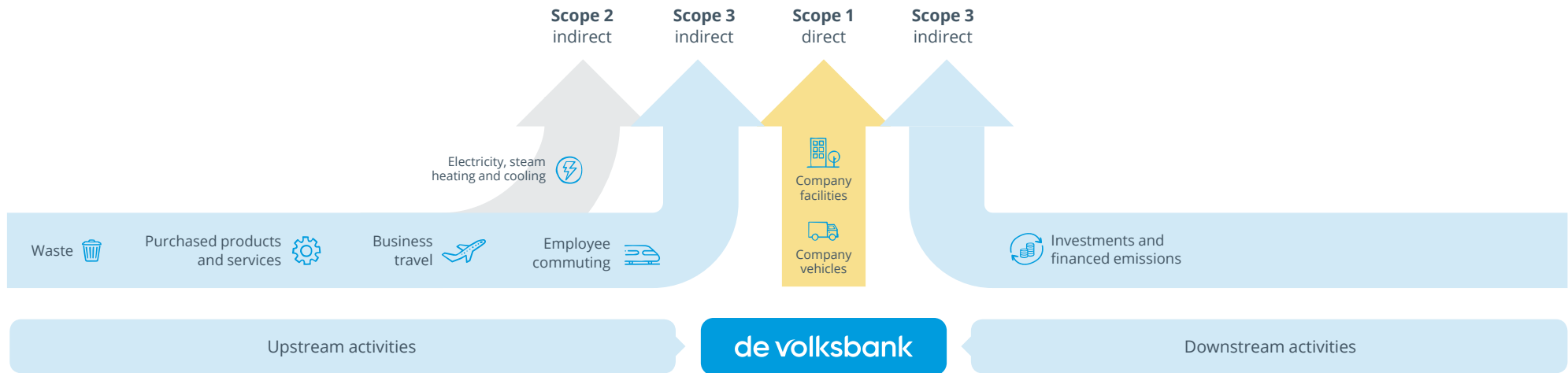
1. energy consumption reduction (e.g. insulation and more energy efficient appliances);
2. energy source substitution (solar panels and solar heat).

We aim to combine these elements with other benefits, such as green roofs, if possible. A crucial prerequisite for us is that our solutions should be affordable for everyone. We launched a pilot for existing customers, offering them the option to borrow more on their property mortgage to pay for energy-saving measures.

ASN Bank aims to contribute to both our climate change mitigation goals, i.e. CO<sub>2</sub>e emission avoidance and negative CO<sub>2</sub>e emissions. We finance several types of CO<sub>2</sub>e

emission-avoiding activities, mainly within the renewable energy sector. We have been actively involved in the financing of solar parks and wind farms for many years. By steering on avoided emissions from renewable energy projects in order to achieve our

goal to obtain a climate-neutral balance sheet, we have increased our investments in these projects. Potential investments in negative emissions projects are evaluated as part of our Climate Action Plan.



### Financed emissions per asset class

| Asset class     | Financed emissions in tonnes CO2e <sup>1</sup> |                   | 2023                             |                                      | Data quality score <sup>2</sup> | Financed emissions in tonnes CO2e <sup>1</sup> |                   | 2022                             |                                      | Data quality score <sup>2</sup> |
|-----------------|--|-------------------|----------------------------------|--------------------------------------|---------------------------------|--|-------------------|----------------------------------|--------------------------------------|---------------------------------|
|                 | of which biogenic                              | of which biogenic | Avoided emissions in tonnes CO2e | GHG emissions intensity ratio (t/€m) |                                 | of which biogenic                              | of which biogenic | Avoided emissions in tonnes CO2e | GHG emissions intensity ratio (t/€m) |                                 |
| Business loans  | 14,745   | -                 | -                                | 37.9                                 | 2.8                             | 19,188   | -                 | -                                | 42.3                                 | 2.7                             |
| Unlisted equity | 2  | -                 | -4                               | 0.1                                  | 2.8                             | 1  | -                 | -5                               | 0.1                                  | 2.8                             |
| Listed equity   | 125  | -                 | -1,593                           | 86.9                                 | 2.0                             | 126  | -                 | -1,617                           | 86.3                                 | 5.0                             |
| Corporate bonds | 78,292   | -                 | -499,320                         | 5.7                                  | 4.4                             | 120,568  | -                 | -463,209                         | 6.9                                  | 4.6                             |
| Sovereign bonds | 18,794   | -                 | -                                | 6.1                                  | 5.0                             | 16,493   | -                 | -                                | 6.1                                  | 5.0                             |
| Mortgages       | 1,100,743                                      | -                 | -                                | 21.6                                 | 2.3                             | 1,157,221                                      | -                 | -                                | 23.2                                 | 2.3                             |
| Project finance | 36,074   | 4,412             | -441,829                         | 30.2                                 | 3.2                             | 22,281   | 4,804             | -365,974                         | 22.3                                 | 3.5                             |

1 This includes scope 1, 2 and, where available, scope 3 emissions of the counterparty.

2 For more information, see the Section on [Definition and methodology of strategic KPIs](#).

### Emissions resulting from business operations

In comparison to the emissions related to assets on our balance sheet (scope 3 category 15), the emissions resulting from our business operations (scope 1, 2 and 3 categories 1 to 14) produce only around 0.2% of our total CO<sub>2</sub>e emissions. The emissions resulting from business operations are mostly caused by transportation and energy consumption in our buildings. We do, however, believe that our sustainability ambition is not credible without having emission reduction targets for our business operations. That is why de Volksbank aims to reduce the emissions resulting from own business operations and compensates 100% of the residual emissions. Emissions will be further reduced in line with the Paris Agreement and our Science Based Target to reduce our scope 1 and 2 emissions by 45% in 2030, compared to 2020.

In this section, we report the GHG emissions resulting from scope 1, 2 and 3 (except scope 3 category 15, which is reported in the Section Financed emissions), and disaggregated data for our energy consumption, employee travel distance, waste production, paper use and water use. Composing this data, we consider de Volksbank and all its business units and brands, upstream, and downstream value chains to be part of the organisational boundaries. The data also covers the operations of ASN Impact Investors (excluding funds) and shops or offices that are not franchise shops or offices<sup>1</sup>. We chose to apply operational control, because we deem ourselves accountable for emissions that de Volksbank can influence directly via its internal operations; therefore, they are included in scope 1 or 2. Downstream and upstream value chain emissions are reported in scope 3 if there are sufficiently reliable data available to calculate them. The quality and quantity of the data underlying the scope 3 calculations are expected to improve in the coming years.

The base year of the emissions of our business operations is 2022 as this is the first year in which we calculated the emissions over the same period as the financial reporting cycle. When calculating our emissions, we use a physical allocation approach. This means that most emissions are estimated on the basis of physical activities taking place within the organisational boundaries, such as GJ's of energy consumption or kilogrammes of waste produced. Lease cars that are charged at home are assumed to be charged by using green energy, in line with company policy. Where final energy consumption data for the last month(s) of the year was not yet available from our offices and retail network, data from the previous year was used. We source the activity-based emission factors from annually updated and science-based sources<sup>2</sup> that report in line with international agreements<sup>3</sup>.

The market-based emissions resulting from our business operations increased in 2023, compared to 2022. In the first quarter of 2022, measures due to the coronavirus

pandemic were still in place. After this, our employees went back to the office more often, resulting in more travel movements in the form of commuter and business traffic. Energy consumption at our offices also increased. These developments were also influenced by a staff increase at our headquarters in Utrecht. On the other hand, energy consumption of our retail branches decreased as some branches merged in larger cities. Detailed CO<sub>2</sub>e emissions, energy and resource consumption data are specified in the following tables.

### Sustainable commuting

A significant part of the scope 3 emissions resulting from our business operations is caused by employee commuting and business travel. We strive to limit these

### Emissions resulting from our own business operations

| Category   | Unit          | 2023         | 2022 <sup>1</sup> | Change <sup>2</sup> |
|--|---------------|--------------|-------------------|---------------------|
| <b>SCOPE 1</b>   |               |              |                   |                     |
| Heating  | tonnes        | 244          | 226               | 8%                  |
| Lease cars   | tonnes        | 111          | 185               | -40%                |
| <b>Total scope 1</b>   | <b>tonnes</b> | <b>355</b>   | <b>411</b>        | <b>-14%</b>         |
| <b>SCOPE 2</b>   |               |              |                   |                     |
| Electricity (market based)                                   | tonnes        | 163          | -                 | 100%                |
| Electricity (location based)                                 | tonnes        | 1,985        | 2,387             | -17%                |
| District heating   | tonnes        | 362          | 315               | 15%                 |
| <b>Total scope 2 - market based</b>                          | <b>tonnes</b> | <b>525</b>   | <b>315</b>        | <b>66%</b>          |
| <b>Total scope 2 - location based</b>                        | <b>tonnes</b> | <b>2,347</b> | <b>2,702</b>      | <b>-13%</b>         |
| <i>Scope 1 + 2 emission intensity per FTE (market based)</i> | <i>tonnes</i> | <i>0.210</i> | <i>0.232</i>      | <i>-9%</i>          |
| <b>SCOPE 3</b>   |               |              |                   |                     |
| Cat. 7: Commuting  | tonnes        | 652          | 533               | 22%                 |
| Cat. 6: Business travel                                      | tonnes        | 527          | 394               | 34%                 |
| Cat. 5: Waste  | tonnes        | 111          | 137               | -18%                |
| Cat. 1: Paper  | tonnes        | 64           | 70                | -9%                 |
| <b>Total scope 3</b>   | <b>tonnes</b> | <b>1,354</b> | <b>1,134</b>      | <b>19%</b>          |
| Total CO <sub>2</sub> e emissions (market based)             | tonnes        | 2,234        | 1,860             | 20%                 |
| Total CO <sub>2</sub> e emissions (location based)           | tonnes        | 4,056        | 4,247             | -5%                 |

<sup>1</sup> 2022 figures have been restated to align with the calendar year.

<sup>2</sup> Calculated with unrounded figures.

<sup>1</sup> Energy consumption of Fitrex office is not yet included.

<sup>2</sup> Sources can be found on the following websites: [www.co2emissiefactoren.nl](http://www.co2emissiefactoren.nl), [www.milieubarometer.nl](http://www.milieubarometer.nl).

<sup>3</sup> Greenhouse warming potential (GWP) of 100 years and equivalent rates of IPCC AR5, applied to all Kyoto protocol greenhouse gases (GHG) (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, and F-gases).

emissions by providing and stimulating the use of sustainable options for commuting, such as electric cars, public transport and bicycle.

In 2023, we leased a total of 213 cars, of which 14 temporary rental cars, compared to 360 cars at our year-end 2016 reference point. As from 1 January 2017, we switched to an all-electric policy for new lease cars. Eleven cars of our lease fleet and 13 temporary rental cars were not electric at year-end 2023, which equals an 89% electric lease fleet. All employees have an NS Business Card for business use, including employees with lease cars. We also offer a bicycle scheme. Every day they travel, employees can choose to travel by bike, public transport or by car.

### Carbon offsetting by Trees for All in Mexico

We offset the market-based CO<sub>2</sub>e emissions resulting from our business operations by purchasing carbon credits. For 2023, we offset 2,235 tonnes CO<sub>2</sub>e emissions. Just like in the past few years, we opted for a Trees for All project to do so. They have been planting native tree species for sustainable land use as part of the Scolel'te project in Mexico. In recent decades, large areas of forests have been lost to forest fires and land use change to make them suitable for agricultural practices. The project focusses on afforestation and reforestation, as well as on implementing sustainable land management at existing farms to stop land degradation. With the proceeds from the carbon credits, local farmers are trained in sustainable land management and are involved in planting new climate-proof forest plots. For instance, by planting native tree species throughout coffee plantations as they provide shade and increase soil fertility and biodiversity. The carbon credits are verified by Plan Vivo and cancelled after purchase.

### Our strategic KPI to a climate-neutral balance sheet by 2030

In December 2015, the Paris Agreement, a treaty on climate change, was adopted at the 21st UN Climate Change Conference (COP21). This agreement requires all member states to put forward their best efforts through nationally determined contributions. From this followed the National Climate Agreement of the Netherlands, to which the Dutch financial sector committed itself.

Since 2016, we have positioned ourselves as a frontrunner in the financial sector by being one of the first to introduce a climate-related target that takes into account all relevant asset classes on our balance sheet and accounts for both negative and positive impacts. The goal is to obtain a climate-neutral balance sheet by 2030. We see our balance sheet as 'climate neutral' when the loans and investments on our balance sheet result in as much positive impact (avoided emissions and CO<sub>2</sub>-removal) as the emissions they still cause. This climate-neutral balance sheet goal was unique, as until its introduction it was common practice for financial institutions not to account for

## Disaggregated environmental data of our business operations

| Category  | Unit           | 2023          | 2022 <sup>1</sup> | Change <sup>2</sup> |
|---|----------------|---------------|-------------------|---------------------|
| <b>ENERGY CONSUMPTION OF LARGE OFFICES AND OWN RETAIL NETWORK</b> |                |               |                   |                     |
| Natural gas (grey)  | GJ             | 3,709         | 3,416             | 9%                  |
| District heating  | GJ             | 14,259        | 11,743            | 21%                 |
| Green energy  | GJ             | 16,112        | 17,053            | -6%                 |
| Grey energy   | GJ             | 1,741         | -                 | 100%                |
| <b>Total energy consumption</b>                                   | <b>GJ</b>      | <b>35,821</b> | <b>32,212</b>     | <b>11%</b>          |
| Energy consumption per FTE  | GJ             | 10.4          | 10.3              | 1%                  |
| Energy consumption per m <sup>2</sup>                             | GJ             | 0.7           | 0.6               | 9%                  |
| Share of green energy (electricity)                               | %              | 90%           | 100%              | -10%                |
| Share of green energy consumption                                 | %              | 45%           | 53%               | -15%                |
| <b>MODE OF TRANSPORT (in thousands)</b>                           |                |               |                   |                     |
| Company cars  | km             | 6,837         | 7,120             | -4%                 |
| Commuting (car)   | km             | 2,982         | 2,511             | 19%                 |
| Commuting (public transport)                                      | km             | 9,780         | 6,531             | 50%                 |
| Commuting (bicycle)   | km             | 290           | 224               | 30%                 |
| Business travel (car)   | km             | 2,104         | 1,969             | 7%                  |
| Business travel (flights)   | km             | 615           | 73                | 748%                |
| <b>Total mode of transport</b>                                    | <b>km</b>      | <b>22,608</b> | <b>18,428</b>     | <b>23%</b>          |
| Kilometres per FTE  | km             | 6,541         | 5,889             | 11%                 |
| <b>WASTE</b>  |                |               |                   |                     |
| Residual waste  | tonnes         | 70            | 81                | -13%                |
| Biodegradable waste   | tonnes         | 9             | 12                | -26%                |
| Small chemical waste  | tonnes         | 0.1           | 0.1               | -5%                 |
| Business waste  | tonnes         | 4             | 3                 | 24%                 |
| Paper and cardboard waste   | tonnes         | 31            | 37                | -17%                |
| Plastic   | tonnes         | 5             | 9                 | -50%                |
| <b>Total waste</b>  | <b>tonnes</b>  | <b>119</b>    | <b>142</b>        | <b>-17%</b>         |
| Share of residual waste   | %              | 59%           | 57%               | 4%                  |
| Waste per FTE   | kg             | 34            | 45                | -25%                |
| <b>PAPER CONSUMPTION</b>  |                |               |                   |                     |
| Paper   | tonnes         | 177           | 185               | -4%                 |
| Paper per FTE   | kg             | 51            | 59                | -13%                |
| <b>WATER CONSUMPTION<sup>3</sup></b>                              |                |               |                   |                     |
| Water   | m <sup>3</sup> | 8,154         | 5,228             | 56%                 |
| Water per FTE   | m <sup>3</sup> | 2.4           | 1.7               | 41%                 |

<sup>1</sup> 2022 figures have been restated to align with the calendar year.

<sup>2</sup> Calculated with unrounded figures.

<sup>3</sup> Water consumption is not included in scope 3 emissions.



financed emissions. The theory of change was to set an aspirational goal for ourselves and to inspire other financial institutions to also set meaningful targets to steer their portfolios towards a low-carbon society. By taking an integral view on emissions, the financed emissions from relevant portfolios could be monitored and reduced, and at the same time the contribution towards the energy transition could be monitored by steering on avoided emissions. As from 2021, our goal of obtaining a climate-neutral balance sheet is primarily calculated by using the Global GHG accounting and the reporting standard developed by PCAF. For the progress on our KPI, see Section [1.2 Our strategic progress](#).

Based on our Climate Action Plan, we will embark on a path to modify our strategic KPI from a climate-neutral balance sheet by 2030, to a net zero balance sheet by 2050. We do so to align more with the target setting and terminology that has been developed since launching our target on obtaining a climate-neutral balance sheet.

### Net zero by 2050

Net zero means the CO<sub>2</sub>e emissions from our balance sheet have to be greatly reduced in line with a 1.5°C scenario. The Science Based Targets on our mortgage portfolio and investments will provide a meaningful method to align with a 1.5°C scenario. Net zero requires reducing CO<sub>2</sub>e emissions to as close to zero as possible. We do not expect to be able to completely reduce all emissions to zero by 2050. Therefore, to reach net zero any residual emissions will have to be removed from the atmosphere by financing projects that have been set up specifically for this purpose. Avoided emissions do not play a direct role, as opposed to our goal of obtaining a climate-neutral balance sheet. In line with our role of frontrunner over the years, we are now exploring the possibilities for nature-based solutions for carbon removal. Based on current insights, we will explore the financial and non-financial impact of bio-based construction, regenerative agriculture, sustainable forestry and other solutions. Although more research is required, we currently believe that nature-based solutions could also be a contributing factor to protecting ecosystems and biodiversity.

### Science Based Targets

De Volksbank obtained approval on its Science Based Targets (SBTs) in November 2022, to support our target to obtain a climate-neutral balance sheet by 2030 and our ambition to have net zero emissions by 2050. The SBTs express the extent and speed at which our emissions need to be reduced to align with the 1.5°C pathway. Our validated SBTs are as follows:

#### Scope 1 and 2:

- De Volksbank commits to reduce absolute scope 1 and 2 GHG emissions 45% by 2030 from base year 2020<sup>1</sup>.

<sup>1</sup> The year 2020 was chosen as the base year for this target in order to align with the other SBTs. For this year, data was used from 2019, due to the impact of the coronavirus pandemic on our own operations in 2020. In 2024, we will revisit this reference point as we have changed the reporting period to be in line with the financial reporting cycle as of 2022.

#### Scope 3 portfolio targets:

- De Volksbank commits to continue to finance only renewable electricity through 2030.
- De Volksbank commits to reduce mortgage portfolio GHG emissions 59% per square meter by 2030 from base year 2020.
- De Volksbank commits to 29% of its corporate bond portfolio by total value held setting SBTi validated targets by 2025, and 53% of its corporate bond portfolio by invested value setting SBTi validated targets by 2030.

The mortgage portfolio target is determined on a sectoral decarbonisation approach, using the NZE 2050 scenario from the IEA (2021) as a benchmark. This target is expressed as an intensity metric (kgCO<sub>2</sub>/m<sup>2</sup>) and is derived by dividing the total mortgage portfolio emissions by the total floor area. We attribute 100% of the emissions of the mortgage portfolio instead of an attribution based on Loan to Value at origination.

The SBT for our bond portfolio applies to non-governmental organisations and does not include covered bonds according to SBT methodology. The counterparties in this portfolio should commit to and approve their own SBTs.

We are in the process of collecting data in order to report on our progress on all SBTs.

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CLIMATE  
ACTION

As the first bank in the Netherlands, we have approved Science Based Targets (SBTs) to align with the goals of the Paris Agreement, and to support our goal to obtain a climate-neutral balance sheet by 2030 as well as our ambition to have net zero emissions by 2050. We exclude polluting industries and activities based on our strict investment policy and issued €1 billion in green bonds.

## 2.2.2 Responsible investment and financing MT

We incorporate sustainability into all our financing and investment decisions for both our own balance sheet as well as for our investment funds. Our approach consists of exclusion criteria to avoid negative environmental and social impacts, and sustainability criteria to increase our positive contribution.

### Impact

Our mission as a bank is to foster environmental and social sustainability. We use the money that our customers entrust to us via savings and investments to promote sustainable development and make forward-looking choices, with respect for people, living creatures and the planet. We want to contribute to a world that is safe and healthy for people to live in, and where the environment is respected, now and in the future. Through our sustainable financing activities and purchasing of green, social and sovereign bonds, we aim to make a (indirect) positive impact with our investments in affordable housing, education, public transport, sustainable energy, health care, and in companies and countries that respect human rights, biodiversity and the environment.

We consider our negative impact through our own activities to be relatively small, in comparison to the (potential) indirect negative impact through our business relationships. Despite our strict sustainability criteria, investments that we make or projects that we finance, for our own balance sheet and on behalf of our clients, can have a certain negative impact on the environment and perhaps on human rights as well. Most of these investments have a short-term actual negative impact and a long-term potential negative impact. We are linked to these value chains but are not causing or contributing to the (potential) negative impact directly. Therefore, in line with the UNGPs, we are using our leverage to encourage mitigation or when necessary, remediation by companies in our investment funds that are causing or contributing to the harm. We aim to reduce the overall long-term negative impact through our sustainable investment criteria.

### Risks and opportunities

The risk type associated with this material topic is sustainability risk (see the Section [4.9 Sustainability risk](#) for more information). Sustainability risk is often expressed in other risk types, such as reputational risk. Not keeping or openly communicating about our commitments with regard to responsible investment and financing could cause a negative impact on the bank. Risks related to this material topic were in 2023 assessed to be not material.

Customers are increasingly taking social and sustainable impact into account in their (investment) choices. As a bank with ambitions on sustainability and society, we have a long track record in sustainable investing. Our positioning therefore gives us

a competitive advantage, giving us opportunities to attract new customers and to continue to increase our sustainable assets under management. A larger customer base gives us more opportunities to increase our sustainable impact. As assets under managements are fee based, this could also strengthen our business model by increasing fee-based income relative to interest income.

### Management, actions and procedures

We check if potential loans and investments meet our [sustainability policies](#). Sustainability is the standard: we apply strict criteria and assess the policy and conduct of companies, counterparties, countries and projects on that basis. We distinguish three pillars in our sustainability policies: climate, biodiversity and human rights. We have specific sustainability policy documents that provide additional guidance and criteria for specific themes (e.g. animal welfare or plastics), sectors (e.g. financials) or asset classes (e.g. ESG bonds). We also gather input from relevant external stakeholders, such as NGOs or scientific institutions. De Volksbank's management is responsible for ensuring that employees are and remain familiar with the sustainability management organisation and comply with the relevant procedures. For more information on our sustainability policies and the international standards, treaties and conventions they are based on, see Section [2.4.2 Sustainability governance and policies](#).

In our [Sustainability Criteria Guide](#) we describe activities that we exclude or avoid, i.e. activities that do not contribute to, or fit in a sustainable society, such as activities posing excessive or unacceptable risks to people, animals and the environment. For example, we do not invest in the exploitation, production and refining of fossil materials, nor do we invest in companies that are engaged in or benefiting from wars or armed conflicts, or in the manufacture of or trade in arms. Exclusion covers any activities that are not allowed under any circumstances whatsoever, regardless of how sustainably a company operates. Avoidance covers any activities in which we could invest if they met all our criteria but in which we generally do not invest in practice because of major sustainability risks.

We have continuous monitoring and periodic assessments in place to ensure that our current and potential investments and loans are always in line with our sustainability policies. Our Sustainability Center of Expertise plays a central and active role in this. We examine periodically if companies in our portfolio meet the sustainability criteria in our sustainability policies. We also monitor and actively engage companies in case of observed controversies or misconduct. We update periodically the countries that are eligible for our government bond portfolio, and analyse whether financial institutions comply with our sustainability policies.

We monitor the progress on our environmental objectives through our long-term climate and biodiversity metrics. More details on these targets are provided as part

of the environmental information in Section [2.2.1 Climate Change](#) and Section [2.2.4 Biodiversity](#), respectively.

Although the topic related to our human rights pillar is more related to social information, we include the information below as a result of its link to this material topic. KPI Living wage is related to the ASN Investment Universe for investment funds.

### KPI Living wage

As recognised by the ILO, OECD and other international organisations, a living wage is a fundamental human right. Within the Platform Living Wage Financials (PLWF), we are strongly convinced that a living wage is a salient human right that requires urgent attention by global companies. ASN Bank is a founding member of the PLWF and a member of the Garment and Footwear Working Group of the platform (see Section [2.1.2 Membership associations and collaborations](#) for more information).

In 2023, the PLWF grew into a coalition of 20 investors with € 6.6 trillion (year-end 2022: € 6.5 trillion) in assets under management. The PLWF is engaged in dialogue with 32 garment companies of which 15 fall within the ASN Investment Universe. All 32 companies are assessed every year, and this assessment shows that even though some companies did make progress, the overall progress on the topic of living wage remains slow. The 15 companies that fall within the ASN Investment Universe are ranked as follows: Leading (1), Advanced (2), Maturing (8), Developing (4), Embryonic (0). One company was not assessed this year due to a different reporting cycle resulting in no new information since last year's assessment. Two companies improved their score enough to be placed in a higher category. Adidas moved from maturing to advanced, and Puma moved to the highest category (Leader), the first company ever to do so. Marks and Spencer moved down, from the maturing to the developing category. The other companies remained in the same category as the year before. This reflects the progress we made together with the other PLWF coalition partners on the KPI Living wage: our aim is that all garment companies in the ASN Investment Universe fall into the Leader category by 2030. The number of companies in the universe may change over the years; in 2023, 15 companies were included. The procedures for inclusion are explained in detail in the prospectus that can be found [here](#). Although we did not invest in all of the 15 companies included in the universe, we did actively engage with all of them in 2023. We did so through the PLWF, as our leverage on investee companies increases when we act in concert with other PLWF members. The aforementioned annual assessment is followed by an engagement call in which the investee's results are discussed as well as the areas for improvement and expectations. Furthermore, the garment companies and other stakeholders are invited to the annual PLWF conference.

The PLWF recognises that changes in the garment industry cannot only be attributed to the PLWF activities, other initiatives are needed too to achieve for example progress

### The European Citizens' Initiative

The campaign entitled Good Clothes Fair Pay was launched in July 2022. This campaign is part of a European Citizens' Initiative launched by ASN Bank in 2021 in cooperation with the Fair Wear Foundation and Fashion Revolution. The goal: collect 1 million signatures in one year to enforce legislation around living wages in the global garment, textile and footwear industry. The legislative proposal advocated by this initiative contains concrete measures for all garment, footwear and textile companies looking to sell their products in the European Union. The proposal was registered with the European Commission in the second quarter of 2022. We had one year to collect the required signatures. Unfortunately, despite a lot of efforts, it proved to be impossible. We were able to collect 240.000 signatures. Due to this significant support, we decided to continue our efforts aimed at European legislation. The Citizen's Initiative was approved as a Petition and a public hearing at the European Parliament took place on October 24<sup>th</sup> 2023 with the presence of the European Committee. We are awaiting the reaction of the European Committee.

in relation to laws and regulations. More about PLWF engagement and developments in the ASN Investment Universe, can be found in the PLWF's [2023 Annual Report](#).

### 2.2.3 EU Taxonomy

This is the third year that de Volksbank reports on the EU Taxonomy Regulation under the NFRD disclosure obligation and the first year to report information on taxonomy alignment. The regulation helps us identify whether we may consider economic activities that we finance or invest in to be environmentally sustainable and it helps us prepare transparent and comparable reports. Taxonomy eligible means whether an economic activity we finance is in scope of the EU Taxonomy Regulation, in other words, if it is potentially environmentally sustainable. Taxonomy aligned means that the economic activity we finance meets the requirements and is actually environmentally sustainable according to the EU Taxonomy Regulation.

The regulation comprises the following six environmental objectives:

1. Climate change mitigation (CCM);
2. Climate change adaptation (CCA);
3. Sustainable use and protection of water and marine resources;
4. Transition to a circular economy;
5. Pollution prevention and control;
6. Protection and restoration of biodiversity and ecosystems.

For this reporting period, de Volksbank has the obligation to report on the alignment on the first two objectives only. Reporting eligibility and alignment for the remaining four environmental objectives can only be accomplished using information published

by counterparties. As 2023 is the first reporting year for non-financial counterparties that are subject to reporting eligibility on the four remaining objectives, we cannot disclose eligibility or alignment on those objectives yet.

**Contextual information**

The EU taxonomy tables, which can be found in the Section [EU Taxonomy tables](#), are based on the exposures of de Volksbank within the prudential scope of consolidation, which is the same scope that we use for this Integrated Annual Report (IAR). The total covered assets in the denominator of the Green Asset Ratio (GAR) covers all financial assets, with the exception (as prescribed) of exposures to central governments, central banks, supranational issuers and the trading book. The tables are based on the same gross carrying amount exposures used in the rest of this IAR.

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

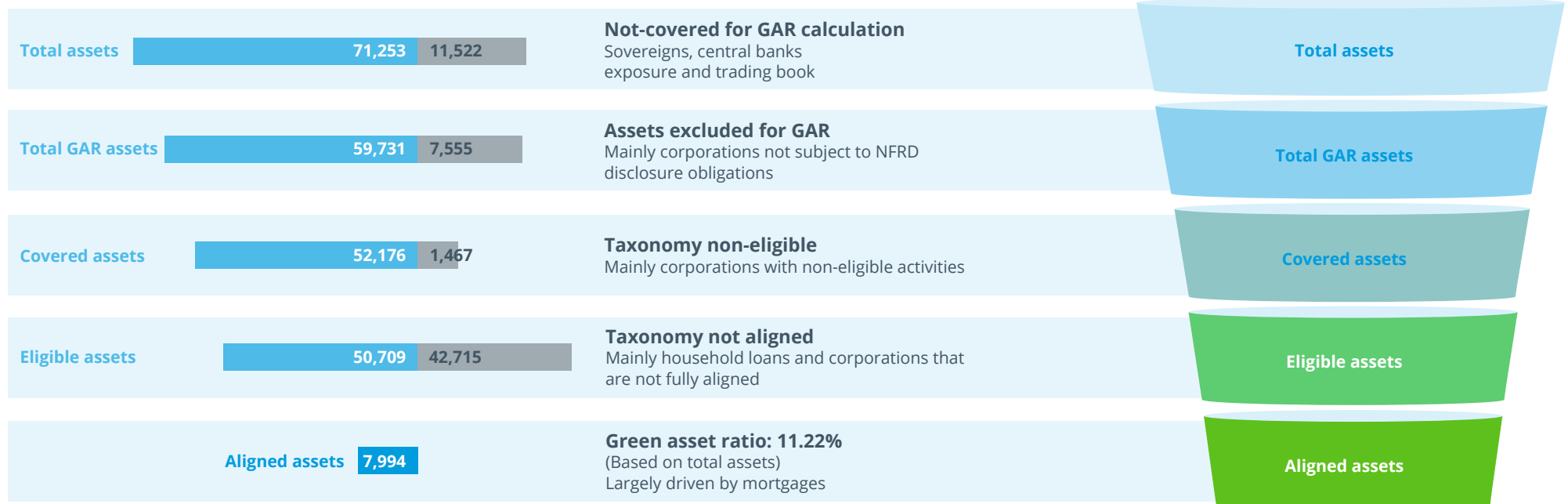
of internally or publicly available information. EU Taxonomy eligible and alignment exposure to non-financial corporations subject to NFRD only relate to debt securities.

We determined the Taxonomy eligibility and alignment of our financial and non-financial counterparties using the published percentages in their annual reports or sustainability reports for 2022. We were unable to obtain information in a very limited number of cases, which we then assessed as non-eligible and not aligned. Environmentally sustainable bonds are included up to the value of Taxonomy-eligible and aligned economic activities financed by the proceeds of those bonds based on information provided by the counterparty. Non-EU counterparties are included in this assessment.

To assess special purpose vehicles (SPVs), we use a look-through approach on a best-effort basis. This implies that if an NFRD counterparty has control over the SPV, we used the eligibility and alignment of the NFRD counterparty.

**EU Taxonomy**

In € millions (2023)



All our retail mortgages collateralised by residential immovable property are eligible and form the largest part of the Taxonomy eligibility and alignment percentage.

De Volksbank categorically excludes investments in fossil fuel-related activities and nuclear activities.

#### Nature and objectives of Taxonomy-aligned economic activities

We have identified EU taxonomy alignment for the CCM and CCA environmental objectives in several portfolios, which we will explain further.

#### *Financial corporations portfolio including green bonds: both CCM and CCA-related activities*

For this category, we use the counterparties' annual reports and their impact and allocation reports when it concerns green bonds for the respective EU taxonomy information.

#### *Non-financial corporations subject to NFRD disclosure obligations including green bonds: mainly CCM-related activities*

For this category, we use the counterparties' annual reports and their impact and allocation reports when it concerns green bonds for the respective EU taxonomy information.

#### *Household portfolio of which loans are collateralised by residential immovable property: CCM-related activities only*

Our loans collateralised by residential immovable property are related to the CCM activity (7.7): the acquisition and ownership of buildings. We have assessed the loans collateralised by residential immovable property to the respective technical screening criteria as dictated by the EU Taxonomy Regulation. For the interpretation thereof, de Volksbank is also a member of the Energy Efficient Mortgage (EEM) NL Hub. This is a (financial) sector initiative that published the [Dutch Energy Efficient Mortgage Framework \(DEEMF\)](#), describing in detail the application of the EU Taxonomy to the Dutch residential mortgage market and its limitations. In short, the technical screening criteria are as follow:

Substantial contribution criteria of 7.7:

- Buildings built before 2021 should have an Energy Performance Certificate (EPC) class A and whether the building is within the top 15% of the national or regional building stock for residential buildings expressed as operational Primary Energy Demand (PED).

To obtain information on the EPCs, we make use of the EP-online database of the Dutch Government. To define the top 15% most energy-efficient residential buildings in the Netherlands, we selected a cut-off year of 2006, using a publicly available source.

- For buildings built after 2021, the PED needs to be at least 10% lower than the threshold set for nearly zero-energy building (NZEB) requirements.

#### Do No Significant Harm (DNSH) adaptation:

The DNSH adaptation criteria dictate that we should perform a climate and vulnerability assessment. As this is a real estate-related activity, we use the location of the collateral for an internal risk assessment. De Volksbank considers pile rot, soil subsidence and flooding as relevant physical climate hazards for real estate in the Netherlands. We plotted the collateral to the following relevant maps and thresholds in the Climate Impact Atlas (*Klimaateffectatlas*):

- pile rot with the low 2050 scenario and a high or very high risk threshold.
- soil subsidence with the low 2050 scenario and a high or very high risk threshold.
- ≥50 cm flood with the low 2050 scenario and a probability of 1/300 and higher.

In the event of a material physical climate risk, we take a conservative approach and do not consider the respective exposure to be taxonomy aligned. In principle, if our customers plan and implement adaptation solutions within five years, it would mitigate the relevant risk, in which case the respective exposure may be considered as taxonomy aligned. However, at this stage we are not able to track the plans and implementation of adaptation solutions.

#### Minimum Social Safeguards (MSS):

The application of MSS for households is not relevant since households are not considered to be an undertaking, and are not considered to carry out an economic activity. As such, we consider this criteria to be met, which interpretation is also in line with the recommendations by the Platform of Sustainable Finance.

#### *Other household portfolio*

As we were unable to fulfil all technical screening criteria dictated by the EU Taxonomy Regulation due to data quality and regulatory unclearities, it should be noted that we were unable to establish taxonomy alignment for the following economic activities in our household portfolio:

- Renovation of existing buildings (CCM 7.2 in the Sector of Construction and Real Estate).
- Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings (CCM 7.3 in the Sector of Construction and Real Estate);
- Installation, maintenance and repair of renewable energy technologies (CCM 7.6 in the Sector of Construction and Real Estate).
- Transport by motorbikes, passenger cars and light commercial vehicles (CCM 6.5 in the Sector of Transportation). This activity is about the purchasing of electric and hybrid vehicles (in category M1, N1 or L) by our customers.

### Description of our compliance

De Volksbank invests in EU taxonomy aligned activities in the following portfolios:

- Household portfolio of which loans collateralised by residential immovable property.
- Financial corporations portfolio with amongst others green bond positions.
- Non-financial corporations subject to NFRD disclosure obligations with amongst others green bond positions.
- Non-financial corporations not subject to NFRD such as our SME portfolio (including loans collateralised by commercial immovable property) and project financing (via SPV's not subject to NFRD) such as wind and solar parks.

Regarding future investments, we expect the EU Taxonomy Regulation KPI scores to improve on the back of achieving our climate-neutrality goal, Science Based Targets, Climate Action Plan goals and by pursuing our sustainability policies. We will continue to engage with retail mortgage customers and project financing counterparties to encourage them to make their homes and projects more sustainable.

### Additional information on the financing of Taxonomy-aligned economic activities

In 2017, de Volksbank adopted ASN Bank's sustainability policy. More information on this policy can be found in Section [Sustainability policies](#) in the IAR 2023. De Volksbank subsequently implemented this policy in the operations and processes of all its brands and aims to be a frontrunner in sustainability policies. These policies can be considered to be our own taxonomy as they describe our DNSH criteria and MSS in detail. They also provide guidance on the type of activities that could have a positive impact on the climate, biodiversity or human rights.

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

## 2.2.4 Biodiversity

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

### Thought leadership

In December 2023, ASN Bank published the second version of the '[Make Nature Count](#)' report with the aim to contribute to the international discussion about the monetary value of nature and how to incorporate this into (financial) decision-making and our economy.

### Policies and commitments

In 2020, we signed the Finance for Biodiversity Pledge. Through this pledge, we commit to biodiversity-related collaboration, engagement, impact assessment, target setting and reporting. For more information on our other biodiversity commitments, such as the Partnership for Biodiversity Accounting Financials (PBAF), see Section [2.1.2 Membership associations and collaborations](#).

### KPI Net positive effect on biodiversity

Our offices have a relatively small impact on biodiversity compared to the impact of our investment and financing activities. We want to prevent further biodiversity loss as much as possible and contribute to biodiversity restoration. Therefore, we aim for our total investments and loans to have more avoided negative and positive impact than negative impact on biodiversity by 2030, in other words: a net positive impact.

We use the BFFI methodology<sup>1</sup> to assess the expected impact of our investments and loans. We work towards our 2030 goal by reducing our negative impact on biodiversity and increasing our positive impact by investing in nature development and restoration, renewable energy and the circular economy, by using the mitigation hierarchy. We will continue to develop our KPI and actions for biodiversity over the next year as a part of our Climate Action Plan, in which we see a role for nature-based solutions in our CO<sub>2</sub> removal efforts, primarily because it could coincide with biodiversity gains.

<sup>1</sup> Biodiversity Footprint Financial Institutions (BFFI), developed by PRé Sustainability, CREM and ASN Bank.

**Dilemma: Biodiversity impact and measurement**

With our commitment to and our sustainability policies on biodiversity, we aim to be a frontrunner in the financial sector. To assess and report progress towards our long-term goal to have a net positive effect on biodiversity for our total investments and loans, we calculate the expected biodiversity impact of our investment and financing activities. The methodology to measure the biodiversity impact for financial institutions (BFFI) is still under development. Therefore, in the years ahead we expect changes and refinements, which are likely to cause (significant) fluctuations in the measurement of our progress. In the meantime, we prefer to start reporting on our progress towards our ambitious goal. ASN Bank, as one of the initiators and the current chair of PBAF, is involved in the development of a biodiversity footprinting standard, which includes requirements and recommendations for data and methodologies.

**ASN Biodiversity Fund for biodiversity protection and restoration**

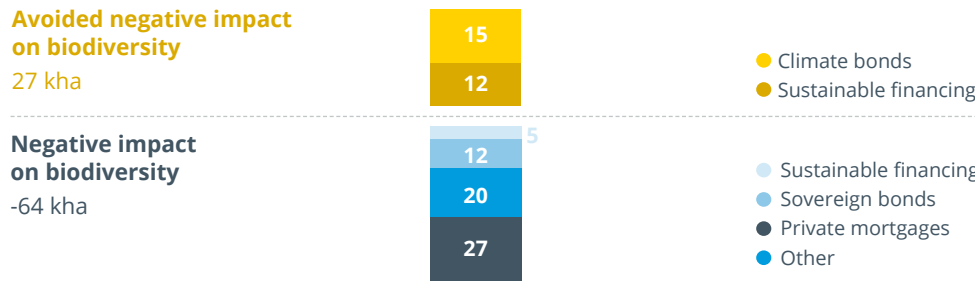
In November 2021, [ASN Impact Investors](#) launched the ASN Biodiversity Fund, the first investment fund that globally invests in the protection and restoration of biodiversity and that is accessible to retail customers. ASN Bank was the first bank to make this new investment fund also accessible to retail customers. The fund focusses on four themes, i.e. sustainable forestry, regenerative agroforestry, sustainable seas and fisheries, and ecotourism. In 2023, ASN Impact Investors published the first impact report for this fund, in which it reports on the positive impact on biodiversity protection and restoration measured in hectares of protected or restored areas on land. With this report, ASN Impact Investors is the first asset manager worldwide to calculate and publish the positive impact of investing in biodiversity.

At year-end 2023, our net impact on biodiversity was negative at -37,109 hectares. The negative biodiversity impact amounted to -63,956 hectares in 2023, primarily resulting from our mortgage portfolio and investments in sovereign bonds. The avoided negative biodiversity impact financed in 2023 amounted to 26,847 hectares, primarily coming from our renewable energy projects and climate bonds. Although negative, avoided and positive impacts cannot just be added up to calculate a net impact; in practice the calculation of a net impact is used as a way to compare investments in different companies, projects and asset classes. International discussions on this topic are ongoing, and definitions and methodologies are under development.



ASN Impact Investors launched a fund primarily focussed on the restoration and protection of biodiversity: the ASN Biodiversity Fund. In 2023, ASN analysed the biodiversity impact of 2 investments from ASN Biodiversity Fund and used the Make Nature Count 2.0 publication to encourage a focus on biodiversity impact among other financial institutions.

**Net impact on biodiversity 2023**



## 2.3 Social information

### Introduction

We recognise that our impact extends beyond financial metrics to the heart of social well-being. This section delves into the social dimensions of our operations, reflecting our strategy to be the bank with the strongest customer relationship in the Netherlands and to have a substantial and measurable positive impact on society.

#### In this section:

[2.3.1 Customer relationships and service](#)

[2.3.2 Fair and transparent products](#)

[2.3.3 Local entrepreneurship, accessible housing and quality of life in communities](#)

[2.3.4 Genuine attention for employees](#)

### 2.3.1 Customer relationship and service MT

We want to stand out from our peers as the bank with the strongest customer relationships, which we build by helping customers in the best possible way. Not only when they have a question or complaint, but also by proactively providing them with solutions. We value strong customer relationships and a local presence through our branches and shops.

#### Impact

Each of our four brands has its own way of communicating with their customers. Through our brands, we have a network across the country, so there is always a RegioBank branch office or SNS shop near our customers where they can go for personal advice. ASN Bank works with an internet-only model and keeps in close contact with its customers. BLG Wonen works together with independent advisers across the country. Our customers choose which channel they would like to use to contact us. They can also choose whether they want to use the app or online banking for their banking needs. In our digital channels customers can always get through to a real person on a helpline. Furthermore, we can achieve positive impact by helping customers with their financial health and offering them financial inclusion, for example by giving customers savings tips. Our budget coaches help customers with financial problems. We do not use debt collection agencies and look for a long-term solution in consultation with the customer.

Despite our efforts, we have not yet been able to improve some processes that are used by smaller groups of customers, for example the process to 'change the power of disposal'. Yet, customers can always get through to a real person on a helpline

when they cannot figure this process out themselves. We may have a negative impact on people and society through our customer services, for example when we make a customer service mistake. However, we did not identify any material negative impacts in relation to this.

#### Risks and opportunities

Customer relations and customer service are both key elements of business success that relate to creating a positive customer experience. The material topic 'customer relationship and service' presents various opportunities, including the potential to enhance cross-selling and customer retention among existing customers as well as the chance to attract new customers. We did not identify any material risks for this topic based on the double materiality assessment, this topic is mainly related to opportunities and executing our strategy.

#### Management, actions and procedures

To measure our customer relationships we defined three KPIs, i.e. the customer-weighted Net Promoter Score (NPS), the number of active multi-customers and the customer-weighted average Customer Relationship Score (KRS). For more details, see Section [Definition and methodology of strategic KPIs](#). For the progress on these KPIs, see Section [1.2 Our strategic progress](#).

#### Stakeholder engagement

We actively involve stakeholders in the development of new concepts and test our online and offline communications to improve our positive impacts. We continuously measure customer satisfaction and receive suggestions, opinions and customer experiences on a daily basis.

There are both online and offline opportunities for customers to give their feedback. They can call customer service or walk into a shop or office if the brand has one. There are also plenty of opportunities for customers to provide online feedback on our products and services. Every online self-service process, such as a change of address or opening an account, requests a Customer Effort Score on completion, and all websites have a feedback button. We also periodically gauge customer and adviser satisfaction on various topics.

Furthermore, we cooperate with several stakeholders in society on topics such as financial health and inclusion, voluntary work and quality of life in communities. More information on how we engage with customers and examples of topics, stakeholder expectations and activities can be found in Section [2.1.1 Our approach to stakeholder engagement](#).



### Complaints and raising concerns

When we receive a customer complaint, one of our employees will contact the customer in question. The employee handling the complaint aims for a careful, verifiable and consistent complaints procedure and is given the time and, if required, resources to do so. If it turns out that de Volksbank has made a mistake and the customer has suffered damage as a result of this, the latter will be compensated. Besides our complaints procedure, our sustainability policies includes several criteria related to customers such as consumer protection. Read more about our sustainability policies in Section [2.4.2 Sustainability governance and policies](#).

All feedback received through our online and offline channels, whether or not it concerns a complaint, are bundled and used as input to make improvements.

In 2023, SNS, RegioBank and ASN Bank had to deal with a rising number of customer complaints. We received a total of 13,192 complaints compared to 10,012 complaints in 2022. Many complaints are related to the fees for our basic banking package, processing times for Know Your Customer and insurance policies taken over by Nationale-Nederlanden (NN). We also received many complaints about the lower savings rates compared to other banks. BLG Wonen on the other hand, saw a decrease in complaints, as fewer mortgage loans were taken out as interest rates increased.

In general, the complexity of complaints is increasing. The procedure to open a bank account for both retail customers and business owners has become more complicated due to customer due diligence; this has led to longer processing times and, in turn, in more complaints. Every month, both the leadership teams of our brands and the Executive Committee (ExCo) receive a trend report on customer complaints. Every year, the Complaints Manager gives an update on the past year in an ExCo meeting.

#### Dilemma: Strong and reliable customer relationships

We want to work on the strongest customer relationship, but sometimes we have to make choices that seem to put pressure on the relationship. As a bank, we contribute to a safe society and a reliable financial system. Therefore, we need to assess potential risks properly. According to the Money Laundering and Terrorist Financing (Prevention) Act (Wwft), amongst others, we are obliged to have a clear picture of our customers. Therefore, it is important that we know them well. This goes beyond name and address; we need to have a picture of what customers do with our products and for what purpose they bank with us. That is why we check customer data, transactions and identities. It takes time to do that properly. But in the end, this reliability is key to a good relationship and we try to make this process as easy as possible for both customers and employees.

### 2.3.2 Fair and transparent products MT

We are continuously working on understandable products putting our customers' interests first, aiming to be transparent about the impact of our products and services to our customers.

#### Impact

Fair and transparent products present several material impacts. Based on our 2023 double materiality assessment this topic was assessed, especially by external stakeholders, as a topic which de Volksbank materially impacts. De Volksbank's strategy focusses on enhancing customer relationships and increasing social impact. Offering fair and transparent products enhances satisfaction, trust and love for our brands, which are important factors in our customer relationship model that determine our Customer Relationship Score KPI. Our main products and services relate to savings, mortgages, payments and small business. Through our multi-brand strategy, we can tailor our products and services to different groups in society, in both with respect to retail customers and small businesses, and offer personal and socially relevant propositions. Fair and transparent products and services contribute to people's financial resilience and provide equal opportunities, allowing everyone to participate in society from the perspective of finances. As an example, SNS helped over 1,000 customers with their tax returns.

#### Risks and opportunities

In 2023, we identified some risks and opportunities with respect to fair and transparent products. None of which were assessed as financially material. Although the risk was not assessed to be material, the risk involved has two aspects; firstly, our products may be considered less fair and transparent when the social sentiment changes, for example if the opinion of our customer changes, and secondly, we incur costs to keep up with standards required by law. On the other hand, we may gain new insights to improve our products in a more fair and transparent manner, which may result in an opportunity to attract new customers. We do not classify this as a material opportunity though, as it is likely that our competitors will also keep up with the improvements.

#### Management, actions and procedures

New products, services and channels, and changes thereto, go through the Product Approval and Review Process (PARP). The Product Approval and Review Committee (PARC) is responsible for approving new - and changes to existing - products and services of all de Volksbank's brands. The PARC is chaired by the Chief Customer Officer.

Part of the PARP is to weigh up shared values for our stakeholders, these are at the centre of the development of a product and/or the organisation of its distribution. Part of the PARP are the so-called 'CUSU' - Cost effective, Useful, Safe and Understandable

- criteria developed by the Dutch Authority for the Financial Markets (AFM). These criteria reflect the way in which we balance our stakeholders' interests. For example, the CUSU criteria are set up from our customers' perspective: the products and services that we provide should be reasonably priced. We believe this to be one of the aspects that reflects our fair products.

We use another part of the PARP to check if the potential negative impacts related to products and services are acceptable to our operations, risk departments and customers before they are launched, or if the product contributes to positive impacts. More specifically, the criteria in the PARP are, for example, to check if the product: is related to a strategic initiative; has impact on our climate-neutral balance sheet; entails increased sustainability risks for de Volksbank. We are obliged to consider the potential sustainability risks of a product or service, such as damage due to flooding or damage to the property's foundation or other climate-related damage. We need to consider any potential measures that we can take to this end, such as the possible introduction of climate-related measures and costs. In addition, according to the Money Laundering and Terrorist Financing (Prevention) Act (Wwft), amongst others, we are obliged to have a clear picture of our customers. We also need to know what customers do with our products and for what purpose they bank with us.

The PARP is also an instrument to adjust or cancel a product if necessary, for example due to regulatory changes. Any such adjustments or cancellation may be effected at the regularly scheduled reviews, or earlier if external influences, indications from customers or de Volksbank departments require it. Therefore, we check annually whether our products still comply with laws and regulations and fit our core values, a so-called product scan. Besides checking if our products and services comply with external legal requirements, we also have our own policies. The following policies serve as the basis to manage our products: PARP policy, Governance PARC, Process control IP PARP, third-party brand propositions and distribution policies.

In the past, the PARP was too elaborate, making it unclear to employees what was expected. In 2023, we therefore added a preparatory phase as a result of which we achieve better-informed results by consulting with each other at an earlier stage. And to make the process more comprehensible for employees, we simplified the PARP itself. In addition, we developed an e-learning to make them more familiar with the PARP.

To ensure that what we communicate is clear and complies with the relevant laws and regulations, we use the Content Creation Process (CCP), part of which is a writing guide for all communication with customers. All our product and service information goes through the CCP. The writing guide contains guidelines with which our expressions must comply. For instance, information has to be correct and understandable for customers, has to give a fair picture of the essential characteristics of the product

and has to be balanced, which means that both the relevant benefits as well as the relevant disadvantages and risks of the product are clearly stated in the text. Unfortunately, the AFM issued a warning letter for non compliance concerning the ASN commercials for (sustainable) investments as follow-up of its previous norm-transmitting letter. In 2023, de Volksbank has revised all ASN investment commercials and strengthened the content creation process.

### 2.3.3 Local entrepreneurship, accessible housing and quality of life in communities MT

We strive for close social cooperation with a broad group of stakeholders and incorporate their input as much as possible. We actively support entrepreneurship, accessibility to the housing market and quality of life in communities. Furthermore, our banking services stimulate economic development at a regional and national level.

#### Impact

As our brands mainly serve retail customers and small businesses with bank services such as payments, mortgages and loans, we can distinguish ourselves by supporting local entrepreneurship, accessibility to the housing market and quality of life in communities.

An important part of our strategy 'Better for each other – from promise to Impact' is that de Volksbank aims to distinguish itself through positive impact on society. Collaboration is key to create social impact. We aim at close social collaboration with a broad group of stakeholders and incorporate their input where possible. That is why we organise annual stakeholder events to discuss what is going on in society, which frictions there are and what might be possible solutions, thus forming a solid, growing network from different stakeholder groups in society around different social issues.

The shortage of suitable rental properties and owner-occupied homes is still one of the biggest social problems in the Netherlands. Therefore, all of our brands focus on making the housing market more accessible. To this end, BLG Wonen develops propositions for different target groups, paying extra attention to the lower-middle-income group as they are facing the greatest challenge in the housing market. RegioBank is actively committed to making and keeping the region livable, and to communities in which people enjoy living and working. Communities in which locals meet each other, look after each other and engage in activities. RegioBank believes in the strength of the region and understands that local entrepreneurship plays an important role in this. After all, its independent advisers are entrepreneurs themselves and can thus help entrepreneurs move forward based on their own expertise. By providing loans to these local entrepreneurs, we stimulate livability in the region.

We have not identified any material negative impacts related to this material topic through our own activities or business relations.

### Risks and opportunities

From a risk perspective, failure to satisfactorily meet our stakeholders' expectations with regard to social engagement, cooperation and entrepreneurship may affect our customer relationships. This may in turn negatively impact our business. This risk was not deemed material.

From an opportunity perspective, however, our strategic focus on social impact provides material opportunities in the highly competitive markets for mortgages and small businesses to expand our portfolios.

### Management, actions and procedures

To prevent negative impacts, we offer propositions for various target groups. For example, in case our customers are unable – be it temporarily or otherwise – to make their mortgage payments. This inability is often preceded by a major life event. For example, bereavement, incapacity for work or a divorce can bring a customer from a healthy financial situation into a worrisome financial situation. In case of mortgage repayment issues, we offer these customers financial care by the yardstick of our eight service promises, always aiming for a sustainable and structural solution. To gauge our success, one of the things we measure is the percentage of customers who left our financial care and achieved sustainable recovery. If a customer has not run into arrears again in the 12 months after solving the payment problems, we consider that to be sustainable recovery. For sustainable recovery, we will set an objective for 2024 and beyond.

De Volksbank aims to make a positive contribution to making housing accessible for the lower-middle-income group. We do this by developing products and propositions specifically for those target groups that have difficulty entering the owner-occupied housing market. The lower a household's income is, the less likely it is for this household to acquire its own home. In 2023, the median gross annual salary in the Netherlands was calculated at € 40,000. Even for a household jointly earning twice this average income, buying a home is no easy task. De Volksbank explicitly wants to be there for these people and is therefore going to formulate an objective for this topic, thus contributing to making it possible for people with middle and lower incomes to buy their own home. We will develop this into target settings in the coming period. Obviously mindful of striking a proper balance between providing mortgages to this group and other income groups. After all, we are there for everyone in the Netherlands who wants to own a home. For more information on our KPIs in development, see Section [1.2.2 Social Impact](#).

Three of our four brands (75%) organise an annual stakeholder event on local entrepreneurship, accessibility to the housing market and quality of life in the community. For example, BLG Wonen has been discussing housing issues and solutions with stakeholders for five years. The Housing Debate is an annual event for policymakers and other determining parties in the financial sector and the housing market. RegioBank organised a National Village Summit for the third time in which administrators, politicians, scientists, customers and independent advisers discuss economic and social developments in less populated areas. And SNS organised The Growth Opportunities Debate for the second year in a row, in which inspiring speakers, political leaders, including growth opportunity experts and secondary vocational education (*MBO*) students, discuss their knowledge and experience.

Through these events we discuss social frictions, how people think about these issues and bring this to the attention of politicians. For some frictions, we develop new propositions, an example being a high-rent proposition to offer tenants better opportunities on the owner-occupied housing market. And sometimes we bring it to them in a playful way, such as when we offered a job application text for a Minister of Regional Affairs to the Dutch House of Representatives.

In addition, two of our brands have partnerships with local parties in the field of local entrepreneurship and quality of life in communities, such as RegioBank with the foundations *Oranje Fonds* and the *VoordeBuurt Fonds* (see also Section [2.1.2 Membership associations and collaborations](#)), and SNS with [WorldSkills](#). RegioBank supports social initiatives that enhance local engagement and promote sustainable relationships with donations from the *VoordeBuurt Fonds*, established in collaboration with the *Oranje Fonds*. Based on preliminary figures, around € 434,000 was paid out from this fund in 2023, of which RegioBank contributed around € 141,000. In addition, independent advisers helped initiators to raise around € 346,000 through crowdfunding via the *Samen voor de buurt* platform. In total, around 165 initiatives were realized during 2023, including the renovation of community centres, the purchase of side-by-side tandems and the installation of playgrounds. The definitive amounts and number of initiatives will be reported by RegioBank in March, 2024. During 2024, we will continue to look at a way to make these initiatives and their impact on the community measurable.

Moreover, the quality of life in communities is directly increased by retaining street presence through SNS shops and RegioBank branches. Where other banks are centralising customer contact, our SNS and RegioBank customers can easily get in touch with their own personal and local adviser, at the moments that are important to them. They can do so by telephone, chat, video calling or via one of the 193 SNS shops or 425 RegioBank branches spread across the Netherlands.

In 2023, SNS set up a Future Council, which is made up of ten members in the 18 to 35 age group and gives SNS advice on themes important to them, such as their frustration about the housing market and stress about student loan debt. The council joins meetings of the SNS Management Team and has the freedom to propose themes and to discuss these within the bank.

Furthermore, we actively involve customers and consumers in the development of new concepts and test our online and offline communications. We continuously measure customer satisfaction and receive customer experiences, opinions and suggestions on a daily basis. We bundle this feedback and use it as input to make improvements to our banking products and services that stimulate economic development at a regional and national level. For more information on how we treat customer feedback, see Section [2.3.1 Customer relationship and service](#).

11 SUSTAINABLE CITIES  
AND COMMUNITIES

We are committed to the sustainability of our mortgage portfolio to contribute to climate-resilient homes and communities. Since 2019, we offer favourable conditions for sustainability with the ASN Mortgage to encourage customers to invest in energy-saving facilities. Additionally, customers with a home energy efficiency rating A or higher can get an interest rate discount on their ASN Mortgage.

### 2.3.4 Genuine attention for employees

Everyone should feel at home at de Volksbank. We connect passionate, skilled and talented people with diverse backgrounds to us. We achieve this through our mission 'Banking with a human touch' as a basis and driven by the ambition to add value for our customers, society, our employees and our shareholder. De Volksbank offers a safe and inspiring working environment where we encourage each other to work together in a result-oriented way. We provide employees the required support and development opportunities so they can work on their future and that of society. The result: people who enjoy working in their teams and derive fulfilment from their work. For additional insights in how we engage with our employees, please see Section [2.1.1 Our approach to stakeholder engagement](#).

There are certain employee-related risks, caused by a lack of sufficient quality and quantity of staff, such as being unable to fill vacancies. For more information on People risk, see Section [4.3.2 People risk](#).

### People and Organisation Strategy

De Volksbank developed a People and Organisation Strategy in 2023. This strategy is built on four pillars, i.e. People & Teamwork, Leadership, Culture, and Organisation. In this section we specify how we implemented this strategy so far.

#### Pillar 1: People & Teamwork Engaged and vital employees

Workplace vitality forms the core of our health and safety policy. We create a healthy working environment, but also expect employees to take good care of themselves in order to remain employable. To help them, we offer tools and encourage them to take action, such as participation in running competitions and a budget to set up a home office in compliance with health and safety guidelines. Our new collective labour agreement 2023-2024 contains new arrangements to improve our employees' work-life balance. We made the leave arrangement for volunteering more attractive, and expanded the existing arrangement for older employees to enable the extension of working life in good health.

Financial health is also very important for workplace vitality; for customers and employees alike. De Volksbank gives them broad-based support in this respect. Employees, for example, were given the opportunity to participate in NIBUD's Financial Health Check in 2023. To enhance and assess workplace vitality, we gauge the rate of employee absenteeism. Additionally, we employ various metrics to comprehensively evaluate and elevate overall well-being and engagement of our workforce. The sickness absence rate was 5.2% in 2023 (2022: 5.1%). Departments with a high absence rate have drawn up an employability plan, based on an analysis of the root causes, containing actions to reduce the rate. They had access to existing tools and we created new interventions based on feedback of our health & safety service provider.

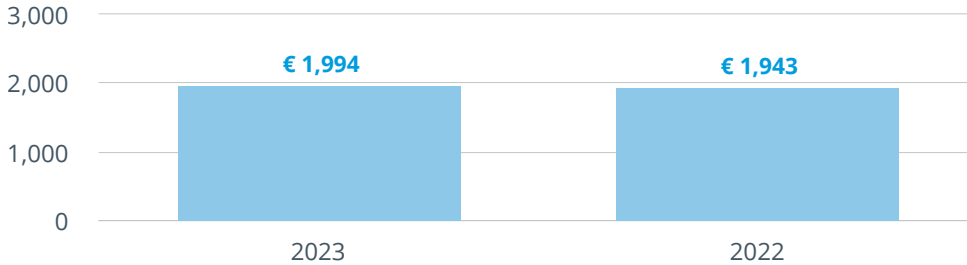
**Professional maturity of the teams**

Part of our strategy is to strengthen our organisational, employee and leadership capabilities. By developing the capabilities, we can increase the internal mobility, flexibility and employability of employees. We should make better use of the current workforce and remain an attractive employer. In 2023, teams identified gaps in skills and capabilities within their teams, and to close those gaps, they worked to develop both individual employees and teams.

De Volksbank offers employees a wide range of opportunities to develop their personal skills. All employees of de Volksbank have been receiving a € 750 personal development budget every year since 2021. In 2023, investments in employee training and development amounted to € 6.9 million (2022: € 6.1 million), or € 1,994 per employee (2022: € 1,943). We do not record the number of hours employees spend on training and development. Employees can also use our learning experience platform, which offers training courses and tools to acquire new knowledge and skills. This platform also offers to opportunity to register and rate their skills.

**Investment in training and development per employee**

(In € millions)



**Diverse & inclusive teams**

Diversity, equity and inclusion are at the core of who we are: the bank of people for people. After all, banking is a people business. We aim for a diverse and inclusive working environment. This is how we make everyone feel at home at de Volksbank. According to our employee survey on inclusion 85% of employees feel at home at de Volksbank (2022: 82%), above our target of more than 80%.

De Volksbank signed the Social and Economic Council Charter Diversity in 2023, thus embracing the principles of equal opportunities in all parts of our organisation. We believe it is important to give everyone who works with us space to be themselves,

because everyone has a unique background, personality, perspective and qualities, so we can contribute to fulfilling our promise: better for each other.

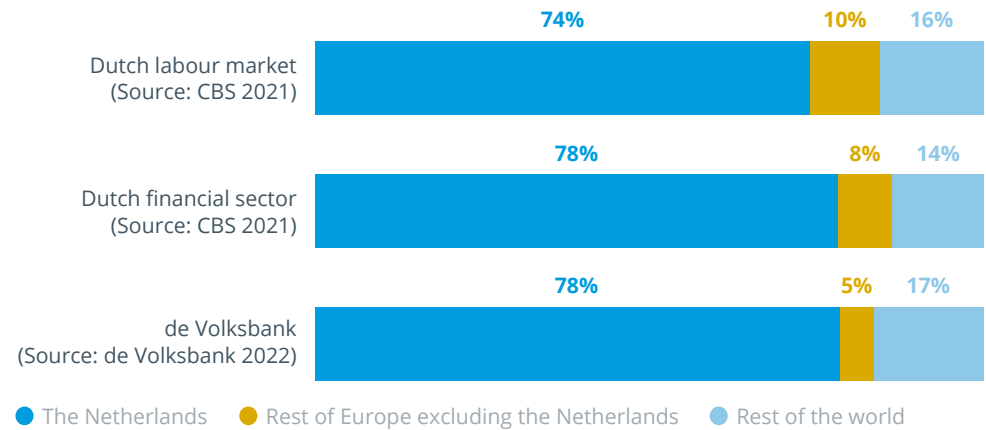
The collective labour agreement 2023-2024 includes agreements on inclusive leave arrangements. For instance, we offer equal leave for all types of parents and carers, and employees can choose which holidays they want to celebrate. Our collective labour agreement covers 99% of our employees, only senior management falls outside the scope of this agreement. For these senior managers, we have a separate remuneration policy, the details of which are provided in Section 3.4 [Remuneration Report](#).

We aim to offer equal opportunities to people with disabilities at de Volksbank. The Work Ability Desk facilitates, coordinates and supports every employee at de Volksbank who wants to work on this theme. In 2023, this resulted in nine new colleagues with a distance to the labour market being hired by de Volksbank (2022: seven).

The Cultural Diversity Barometer from Statistics Netherlands shows that de Volksbank's workforce is a good reflection of the Dutch labour market and financial services sector. As such, our diverse customer contact staff benefits our (potential) customers.

**Country of origin in relation to the labour market**

Percentage country of origin



On the theme of gender equality, de Volksbank scored an 8, on a scale of 1-10, in the Dutch Fair Bank Guide's policy assessment in May 2023. Even if this is the highest score of the eight banks assessed, there is room for improvement, in terms of professional development opportunities to promote equal access for women in senior positions. Despite the progress, it remains our ambition to grow the proportion of women in leadership positions; our target for 2025 is for women to hold at least 40% of the leadership positions. By the end of 2023 this proportion was 38% (2022: 39%). Currently, 40% of the Supervisory Board and 33% of the ExCo consists of women.

De Volksbank measures the gender pay gap every year. In 2023, the gap was negligible: 0.07% (2022: 0.04%). Equal pay starts with inclusive recruitment: de Volksbank starts from a salary that fits the position, not the salary earned in a previous job. The policy on diversity, equity and inclusion, as well as examples of the interventions and actions we have taken, can be found on the website of [de Volksbank](https://www.volksbank.nl).

### Breakdown of employees by gender<sup>1</sup> and headcount<sup>2</sup>

|                               | Year-end 2023 |       |         | Year-end 2022 |       |       |
|-------------------------------|---------------|-------|---------|---------------|-------|-------|
|                               | Female        | Male  | Total   | Female        | Male  | Total |
| Number of employees           | 1,670         | 1,877 | ▲ 3,547 | 1,522         | 1,698 | 3,220 |
| Number of permanent employees | 1,421         | 1,587 | ▲ 3,008 | 1,343         | 1,509 | 2,852 |
| Number of temporary employees | 249           | 290   | ▲ 539   | 179           | 189   | 368   |
| Number of full-time employees | 1,076         | 1,726 | ▲ 2,802 | 923           | 1,561 | 2,484 |
| Number of part-time employees | 594           | 151   | ▲ 745   | 599           | 137   | 736   |

1 All de Volksbank employees were offered three options to express their gender identity: male, female or other. So far none of our employees have expressed other as gender identity.

2 De Volksbank has no non-guaranteed hours employees.

### Breakdown of workers<sup>1</sup> who are not employees by gender<sup>2</sup> and headcount<sup>3</sup>

|   | Year-end 2023 |      |       | Year-end 2022 |      |       |
|---|---------------|------|-------|---------------|------|-------|
|   | Female        | Male | Total | Female        | Male | Total |
| Number of workers who are not employees | 247           | 729  | ▲ 976 | 218           | 572  | 790   |
| Temporary and agency workers            | 177           | 458  | ▲ 635 | 176           | 377  | 553   |
| Self-employed persons                   | 70            | 271  | ▲ 341 | 42            | 195  | 237   |

1 A worker is a person who performs work for the organisation.

2 All de Volksbank employees were offered three options to express their gender identity: male, female or other. So far none of our employees have expressed other as gender identity.

3 De Volksbank has no non-guaranteed hours workers.

### Gender balance year-end 2023 (based on the total number of employees)

#### Internal employees

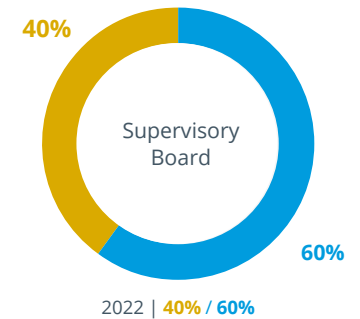
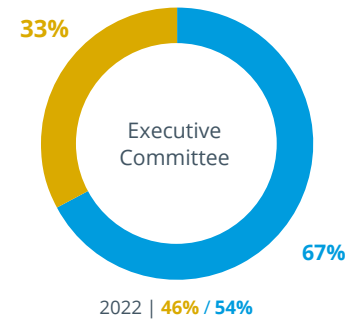
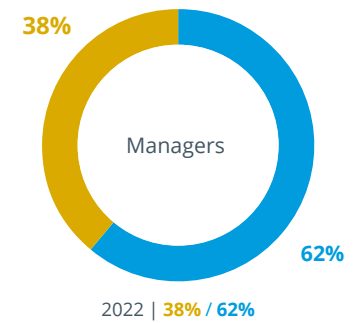
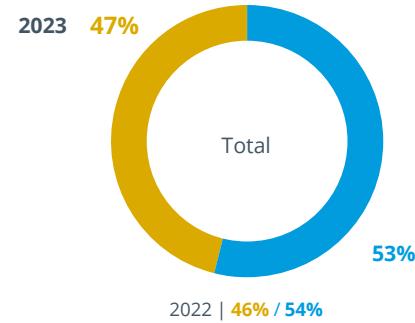
3,449 FTE ↑

2022 | 3,123 FTE

#### External employees

958 FTE ↑

2022 | 764 FTE



All employees within de Volksbank have specified their gender offering three options: male, female or other. As of now, there are no employees who have identified themselves under the 'other' category.

#### Staffing

|                             | 2023  | 2022  |
|-----------------------------|-------|-------|
| Inflow                      | 18.7% | 13.6% |
| Outflow (employee turnover) | 8.4%  | 14.1% |

Of the total number of employees at de Volksbank, approximately 28% consists of workers who are not employees. Compared to 2022, this number has increased slightly by 3% (2022: 25%). Workers who are not employees are hired to deal with formation bottlenecks, such as vacancies, for temporary change projects and for peaks in workload. Overall, we see a 10% increase in the number of employees and a 24% increase in workers who are not employees. In addition to filling vacancies, this is largely due to the additional structural and temporary capacity required for Know Your Customer activities and the Customer Integrity programme to comply with the Money Laundering and Terrorist Financing Act (Wwft) and projects related to banking regulations and IT, besides fill-in of vacancies and regular flexforce and workload spikes.

### **Pillar 2: Leadership**

One of the first steps in implementing the People & Organisation strategy was to establish a leadership and culture programme. The objective of this strategy programme for 2025 is that all leads at de Volksbank demonstrate the leadership behaviour as set out in our leadership behavioural model. This will set a cultural example of how employees of de Volksbank collaborate in a risk-conscious, directional and results-oriented way. The internal programme was rolled out for the ExCo and de Volksbank Leadership Team and will then be cascaded downwards to other leads.

### **Pillar 3: Culture**

To provide a safe place to work, we have a code of conduct entitled 'Common Sense, Clear Conscience', which sets out how we treat each other and customers. Employees who encounter undesirable behaviour can contact our Confidential Adviser or an external Confidential Counsellor. They can file a complaint, which will be handled by the Committee for Unacceptable Behaviour. We promote a culture in which it is normal to call each other to account for behaviour and offer support tools for employees and managers, such as workshops and dilemma sessions. In June 2023, we conducted the second in-company Organisational integrity survey, the results of which are used to embed and strengthen the risk culture within the organisation. Five of the eight themes that were assessed were rated more positively than in last year's survey. The survey shows that the perception of the risk culture had improved significantly, especially as far as commitment, clarity and enforcement were concerned. In contrast, transparency, role model behaviour and approachability recorded the lowest score.

### **Pillar 4: Organisation**

In March 2022 we started the process to transform de Volksbank into an agile organisation. As we aim to continue to grow the organisation's agile way of working, we developed the 'agile maturity growth model' in 2023. The baseline and leadership teams use this growth model as a tool for reflection with respect to the transformation and as a directional tool for further development.

## 2.4 Governance information

### Introduction

We aim to continue the structured and fair manner in which de Volksbank is structured and operates. We abide by the laws and regulations applicable to an organisation in the financial services sector. We aim to do business fairly and ethically, for example, by applying a responsible tax policy and measures to prevent corruption.

### In this section:

#### [2.4.1 Corporate governance and ownership](#)

#### [2.4.2 Sustainability governance and policies](#)

#### [2.4.3 Ethical business conduct:](#)

Responsible tax policy

Commitments and codes

Anti-corruption, bribery and conflicts of interest

Mechanisms for seeking advice and raising concerns

#### [2.4.4 Compliance with laws and regulations:](#)

Customer interest

Prudential supervision

Sustainability

### 2.4.1 Corporate governance and ownership MT

We want to organise the bank in a structured and honest way that fits our vision. We will make more concrete plans for the positioning of our social identity, including our stance on the feasibility for different ownership options in the future.

In 2022 de Volksbank introduced an Executive Committee (ExCo). The ExCo replaced the former Board of Directors to add focus and balance to the management of the organisational transition. For detailed information on de Volksbank's governance structure and the role of the highest governance body, see Section [3 Leadership and governance](#).

### Impact

Corporate governance and ownership play pivotal roles in shaping the trajectory of de Volksbank. In the realm of this topic, de Volksbank has the prospect to influence to impact and influence broader domains of the economy, environment and society. Possible positive and negative impacts are stemming from robust

corporate governance and ownership. Therefore de Volksbank fosters proper internal organisation practices regarding sustainability and social impact. We make an effort to contribute to and counteract climate change, decent living and personal growth. With our strong social identity we try to align with our stakeholders for being responsible with our banking operations by exercising proper corporate governance to reduce possible negative impacts on society.

### Risks and opportunities

As we navigate the complexities of corporate governance and ownership, our commitment to proactive risk management, stakeholder engagement and sustainable and social banking practices remains unwavering. We are aware of the possible opportunity to realise our social impact on society. Therefore, our focus lies in addressing these possible impacts to make a meaningful contribution in these areas. Simultaneously, we are aware of increasing social expectations and increasing expectancies of our stakeholders and supervisors regarding these topics.

For further details regarding these risks and opportunities, kindly refer to Section [4.9 Sustainability Risk](#).

### Management, actions and procedures

For our stance on the feasibility of various ownership options in the future, see Section [1.2.6 Options for the future](#).

The governance of sustainability is of great importance to de Volksbank, also with regard to the businesses that we invest in or finance. More information on de Volksbank's sustainability governance, strategy, policies and practices can be found in Section [2.4.2 Sustainability governance and policies](#).

As de Volksbank's mission is Banking with a human touch, we also add a human touch to our employees' remuneration. In establishing our remuneration policy and the actual remuneration, we take account of our stakeholders, i.e. our customers, society, our employees and the shareholder. For more details on our remuneration policies, see Section [3.4 Remuneration Report](#).



## 2.4.2 Sustainability governance and policies

Sustainability governance is an important topic for de Volksbank itself and for the companies that we invest in or finance. In this section we describe how de Volksbank has set up its sustainability strategy, policies and governance.

### Sustainability strategy

De Volksbank aims to have a positive impact on society and to reduce its negative impact. We do so through the implementation of our sustainability policies, through our investments, by developing and setting relevant KPIs and by offering socially responsible propositions. We also strive to lead by example as evidenced by being the first Dutch bank with Science Based Targets. This approach, in turn, also contributes to the resilience of de Volksbank against transitional and physical sustainability-related risks. All in all, the pre-existing strategic focus on social impact results in a relatively low risk profile for ESG-related matters.

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

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

To monitor the realisation of the strategy's objectives we have set long-term objectives and measure the progress through performance indicators for each stakeholder group. We have implemented a set of performance indicators for monitoring purposes, see the table below.

### Sustainability metrics

| Definition                             | Type          | 2023   | Target  |
|--|---------------|--|---|
| Climate-neutral balance sheet          | Strategic KPI | 75%  | 100% in 2030  |
| Net zero balance sheet                 | KPI           | N/A  | Net zero balance sheet by 2050  |
| Net positive effect on biodiversity    | KPI           | -37,109 ha   | Net positive effect on biodiversity in 2030                                     |
| Living wage <sup>1</sup>               | KPI           | Leading (1), Advanced (2), Maturing (8), Developing (4), Embryonic (0) | All garment companies in the ASN Investment Universe in Leader category by 2030 |
| Gender balance in management positions | KPI           | 38%  | 40% women in management positions in 2025                                       |

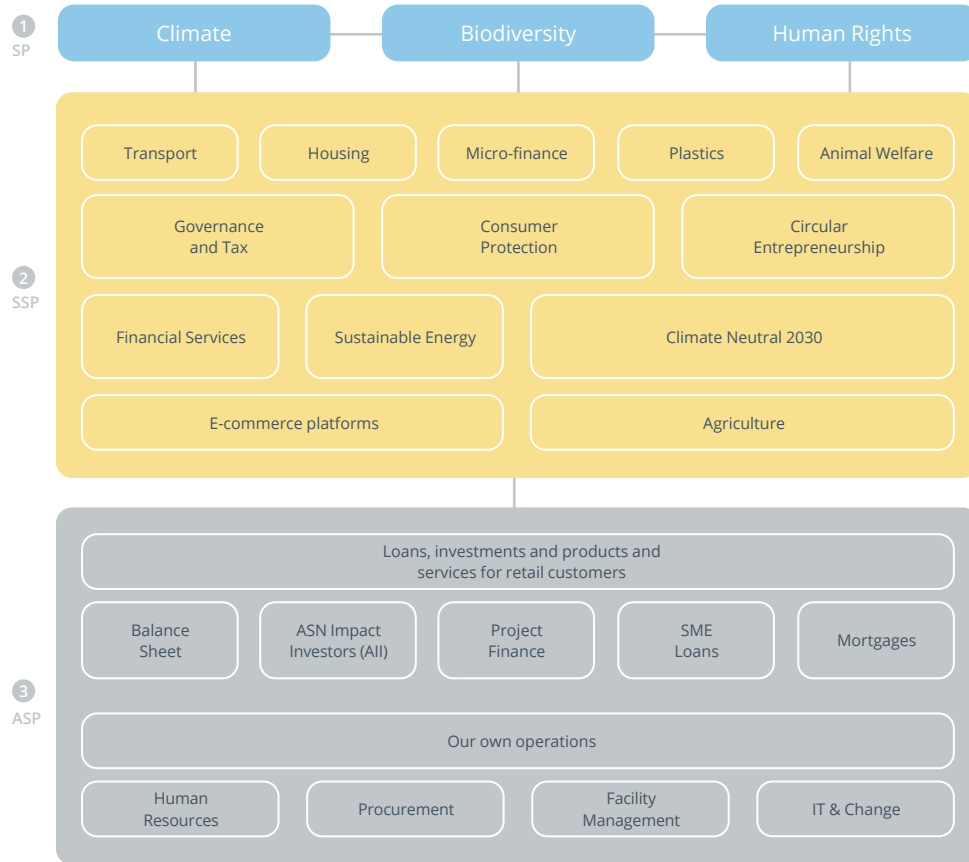
<sup>1</sup> See [Section 2.2.2 Responsible investment and financing](#) for more information.

### Sustainability policies

The purpose of our sustainability policies is to have a well-understood and accepted governance and definition of sustainability for the bank and its stakeholders.

To develop sustainability policies that are up to date and incorporate recent developments, we engage with external parties including NGOs, other financial institutions, academics, politicians and the media. The sustainability policy documents are accessible to all employees of de Volksbank and ASN Impact Investors through the bank-wide policy system and to the public via the websites of ASN Bank, de Volksbank and ASN Impact Investors. The bank's approach to sustainability covers all of its activities and is applied at the three levels. Besides our sustainability policies, we also have a Sustainability Risk Policy.

### Sustainability house of policies



**Level 1 & 2 Sustainability Policies (SP) and Specific Sustainability Policies (SSP)**  
The SPs and SSPs contain detailed information on sustainability content applicable to the entire organisation, including our investments. Sustainability is not static, so the exact number and themes in relation to the content of the sustainability policies may vary from time to time. In SSPs, we provide additional guidance and criteria for specific themes, such as animal welfare or plastics, sectors, such as financial services, or asset classes, such as ESG bonds. These SSPs are related to one or more SPs.

We distinguish three pillars in our SPs: climate, biodiversity and human rights. We assess countries, organisations and businesses on the basis of these strict sustainability policies. The approach to our SPs consists of two elements: 1) a set of sustainability criteria to exclude or avoid investments that have a negative impact and 2) a set of criteria to support investments that contribute to sustainability. We use those criteria among other things for due diligence. Below, we elaborate on the two elements of our approach for each pillar.

#### Climate

Climate change is one of the most pressing problems the world is facing at the moment. In order to mitigate the impact on climate change, our sustainability criteria avoid involvement in entities that have a substantial negative impact on climate change and support investments that contribute to combating climate change. Activities we refuse to invest in are, for instance, the exploration, extraction and production of fossil fuels and electricity generation by means of fossil fuels. In order to adapt to the impact of climate change we strive for a 'climate-neutral balance sheet by 2030' and a 'net zero balance sheet by 2050'. For details on these policies, see our [Climate policy](#).

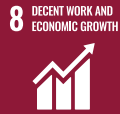
#### Biodiversity

By analysing whether potential loans and investments meet our strict sustainability criteria before we invest, we aim to reduce the negative ecological impact from our loans and investments. Our biodiversity criteria are in line with the main threats to loss of nature and biodiversity: land use and nature deterioration, overexploitation, climate change, invasive and exotic species, and pollution. For further details on these policies, see our [Biodiversity Policy](#). At the same time, we are enhancing biodiversity by investing in ways to protect nature and relief the pressure society puts on nature, such as biodiversity conservation, renewable energy and the circular economy leading to a reduction in the use of natural resources. When the positive effect of our loans and investments on biodiversity is greater than our negative impact, we have achieved our long-term goal: to have a net positive impact on biodiversity in 2030. Closely linked to this policy is our [Circular Entrepreneurship policy](#), which includes our vision on the circular economy and in which the focus is on a more efficient use of both renewable and non-renewable raw materials.

#### Human rights

We base our human rights policy on the Universal Declaration of Human Rights, the OECD guidelines for multinational enterprises, and the United Nations Guiding Principles for Business and Human Rights (UNGP's). We have a wide range of policies to avoid violations of human rights in our loan and investment portfolios. We do not invest in companies that engage in or profit from war or armed conflict. We cannot and will not reconcile ourselves with the idea that these types of companies benefit from the existence of, and increase in armed conflicts. This implies that we

also refrain from every form of financing of or investment in companies involved in the development, maintenance, testing, storage and distribution of arms. All companies are screened and then monitored periodically to ensure they are not involved in the arms industry. To screen this, we make use of external data providers specialised in this field. Examples of criteria to support investments that uphold collective, human and labour rights are: equal treatment, no forced or child labour, safe and healthy working conditions, and to respect the rights of local communities and indigenous people. For further details on these policies, see our [Human Rights Policy](#).



We advocate a living wage in the global supply chain. In collaboration with partners, we submitted the European proposal Good Clothes, Fair Pay in 2022. Additionally, we adhere to a strict human rights policy.

### Human rights due diligence

Our human rights policy also shows how we conduct our human rights due diligence. In 2023, we completed a new salience risk analysis, the goal of which was to find out how our activities could be linked to human rights risks in the international value chains to which we are connected. In conducting this analysis, we follow the United Nations Guiding Principles for Business and Human Rights. Based on the results, we have marked risks of forced labour and degradation of livelihoods in the mining and metals chain as a new point of attention for de Volksbank. For instance, we are investing in renewable energy activities. In the extraction of raw materials required for these activities we find a great deal of forced labour exploitation and erosion of livelihoods. We continue our efforts in exploring how we can influence these chains to address these forms of abuse in line with international guidelines. The first step we have taken is to join the IMVO covenant for the renewable energy sector. The purpose of this covenant is to jointly tackle and prevent risks in the area of human rights violations and environmental damage by collaborating with solar and wind energy companies, industry associations, the Dutch government, knowledge institutes, NGOs and trade unions.

### Due diligence on Uyghur forced labour in solar panels

In 2021, alarming reports appeared of serious human rights violations in China's region of Xinjiang. Almost all major solar panel manufacturers who also sell their products in the Netherlands, work with suppliers from that region. This makes the solar energy industry vulnerable to forced labour. We want to avoid (co) financing solar panels, components and raw materials required for production which are produced by forced labour. As ASN Bank and ASN Impact Investors finance renewable

energy projects and companies, we investigated possible abuses. This investigation resulted in a list of approved suppliers that can be used in the projects that we finance. We continued this investigation in 2022 and 2023.

### Dilemma: Human rights and the energy transition

The solar energy sector is contributing to the energy transition. Unfortunately, the sector is prone to human rights violations. According to Sheffield Hallam University's [report](#) published in 2023, it appears that much of the polysilicon, an important raw material for solar panels, comes from China. It is almost impossible to do proper due diligence in China as there's hardly reliable information available. At the same time, solar energy is important for the energy transition to combat climate change, yet this may never lead to human rights violations. Companies in the chain are responsible for thoroughly investigating their supply chains to increase transparency and ensure that human rights are not violated. Therefore, we joined the IMVO covenant for the renewable energy sector in March 2023. At our request, the SER organised a session with parties and stakeholders of this IMVO covenant in September 2023. More sessions will be organised with the aim of finding better courses of action for proper due diligence.

### Level 3 Applied Sustainability Policies (ASPs)

The ASPs specify how specific policies are implemented in various processes. Thus, compared with other policies that deal with the 'why' and 'how', these policies have a more practical approach, i.e. 'what to do'. The responsibility for implementing these more operational policies lies with the relevant departments.

### Implementation of the policies

The policies are applied to both our investments and our internal operations. As we invest in several different asset classes, the way these policies are implemented varies. We conduct an assessment for corporate (green) bonds by analysing if the issuer is involved in activities we exclude from our investment portfolio and then we assess which projects are financed with the bond or loan. During this process we might engage with companies to determine if they meet our sustainability policies.

Government bonds and loans must meet our exclusion criteria, some countries are therefore excluded from our investment portfolio. We base this on the endorsement of international conventions, through ratification or accession. We select the best performing countries that meet the exclusion criteria based on sustainability criteria for climate, biodiversity and human rights.

In case of misconduct, we approach the relevant stakeholder and engage in a conversation to set up an agreement for action. If the stakeholder does not keep this

agreement, we may decide to withdraw as an investor or financier. For the ASN Project Finance portfolio in particular, we engage directly and indirectly with businesses. For example, when the controversy about the Uyghur forced labourers came to light, we directly engaged with businesses that we finance for solar panel projects.

For us, it is crucial to make our whole mortgage portfolio more energy efficient. We have a Specific Sustainability Policy Housing in which we describe our ambition to directly or indirectly engage with customers to make their homes more sustainable. We aim to be a responsible and inclusive bank and want to offer our services to everyone in every situation, including people with a mortgage with a low energy efficiency rating. As an example, we support our (retail) customers by providing them with advice on reducing energy consumption.

### Foundation of our policies

Our sustainability policies are based on relevant and important global conventions, reports and initiatives that aim to ensure a bright and sustainable future for next generations. De Volksbank regards the following international treaties and conventions as the fundamental starting points for its policies and their implementation. These international treaties and conventions are subject to change and do not constitute an exhaustive list. As a result of using these international treaties and conventions as the fundamental starting point of our policies, several components of our policies are related to how our counterparties deal with social risks. For example their attitude towards human rights, the (local) community and society, employee relationships and labour standards, customer protection and product responsibility, healthcare, a living wage, privacy, housing, social needs.

## Policy foundations



### Human rights

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



### Climate

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



### Biodiversity

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

## Sustainability governance

### Sustainability governance within de Volksbank

The ExCo is responsible for achieving the overall sustainability objectives of de Volksbank, establishing that these are in line with risk appetite and for considering the impact of ESG risks through the transmission channels on de Volksbank's business strategy, strategic objectives and risk management framework. The development and implementation of sustainability-related matters is assigned to owners within the ExCo and senior management. In 2023, internal experts organised knowledge sessions on sustainability topics for the ExCo. In its supervisory function, the Supervisory Board exercises oversight over the exposures and responses relating to ESG risks. The Supervisory Board sets the performance objectives for the ExCo, including performance objectives for our impact on society. These objectives are derived from de Volksbank's (long-term) strategic objectives, and in setting them the Supervisory Board takes into account de Volksbank's desired ESG risks-related risk profile.

The Chief Executive Officer (CEO) is accountable for sustainability and sustainability risk, including involvement in the approval and selection of the material topics and the progress on these topics as included in our annual reporting. To ensure that the impact of sustainability risks are within the boundaries of our risk appetite, the CEO is accountable for the identification of emerging sustainability risks, the mitigation and monitoring of these risks. For each risk type, a dedicated risk committee is responsible for the management of that specific risk type, including the impact of ESG risk drivers on that risk type.

The Social Impact Committee (SIC) is a risk committee that oversees our (inside-out) impact on society and the (outside-in) impact of sustainability matters on de Volksbank and monitors the proper integration of long, medium and short term ESG risks in the overall business strategy, governance, risk management framework, organisational structure, reporting practices and policies. The SIC is responsible for monitoring the progress of our strategic social impact targets and the incorporation of ESG matters in business processes, as well as for the implementation of ESG risks in our risk management framework. It is also responsible for fostering transparency on compliance with the non-financial reporting guidelines. The committee is chaired by the Chief Risk Officer, representing the ExCo. All members of the SIC may escalate (pending) decisions to the ExCo.

Every quarter, the first line of defence submits several reports to the SIC on, for example, the strategic objective 'climate-neutral balance sheet' and the impact on biodiversity. Furthermore, ESG risks are included in reports by the first and second line of defence and in the quarterly risk report, which is submitted to the ExCo. The SIC also regularly receives progress reports on fulfilling the expectations of the ECB guide on climate-related and environmental risks.

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

The expected impact of decisions on our four stakeholder groups, i.e. customers, society, employees and the shareholder, is included in the decision making in all ExCo and SIC meetings to ensure that the impact on natural, human and social capital is taken into consideration. At least every two years, we evaluate our social impact-related policies and activities against our shared value KPIs and adjust them where necessary. The ExCo discusses topics related to long-term value or impacts with the stakeholder groups on a regular basis throughout the year.

### Sustainability governance for companies we invest in or finance

We expect companies to be transparent about their performance with respect to governance, including counterparties' overall strategy and risk management, independence and diversity within the board, inclusion, ethical conduct, corruption, conflict of interest management, respect for the local legal system, tax evasion and tax avoidance, transparency and lobbying, and political contributions. We expect each company to have a policy that regulates the ethical conduct for its employees and incorporates a level of due diligence that aligns with our own high standard, no matter where the company operates or is located. We assess our counterparties in the onboarding process; for example, we look at whether they have complex organisational structures, do business in and/or with sanctioned countries or other integrity related risks. To monitor if companies are involved in ESG-related misconduct, we use a tool that identifies material ESG risks. If a company does not provide us with sufficient information to complete our ESG analysis, we contact this company and ask questions. For more information, see our [Sustainability Criteria Guide](#).

The counterparties that are not related to our investment portfolio are all small to medium-sized companies or mid-corporates. We do not assess them on specific governance aspects such as the highest governance body or committees responsible for decision-making on economic environmental and social topics or their highest governance body's role in non-financial reporting, since these criteria are not considered relevant. For our Project Finance Portfolio we have developed a tool which can be used to determine whether a potential project meets our sustainability criteria or if extra research is required.

## 2.4.3 Ethical business conduct MT

De Volksbank is committed to transparent, fair and ethical business practices, which we achieve, among other things, through our responsible tax policy and anti-corruption measures. We stand up for the interests of our customers and society through balanced political engagement in line with our sustainability policies.

### Impact

De Volksbank aims to make a relevant and positive impact on the environment and society through a focus on ethical business conduct in which customer integrity is key, resulting in financial resilience and sustainability. Safeguarding customer integrity supports de Volksbank in its ambitions, its response to customer demand and the positive impact it aims to make. With initiatives promoting ethical conduct throughout the organisation we not only meet customers' expectations and avoid reputational risk, we also embed ethical conduct into the core of our daily business activities. This results for example in practical guidance to prevent involvement in geopolitical conflicts or harmful activities and enhancing awareness of potential negative consequences when not acting with integrity. So, ethical business conduct is key for de Volksbank's strategy; to safeguard our customers' trust, to prevent any regulatory fines and, ultimately, to keep our license to operate within the Dutch banking sector.

### Risks and opportunities

In relation to our commitment to honest and ethical business practices, de Volksbank has to manage certain risks that stem from dependencies on natural and social resources. The risk of higher costs due to increasingly higher expectations from customers and society exists, but we consider the extent of the impact of this risk to be low. De Volksbank aims for strong customer relationships in which it carefully balances customer interests against operational interests, as is reflected in our risk policies on topics such as whistleblowing, sustainability, the code of conduct, conflicts of interest and corruption. These policies and related procedures have been communicated up, down and across the entire organisation, including our ExCo members. Based on these policies, we have implemented relevant control frameworks. We prevent any negative impact on stakeholders by properly identifying and mitigating potential risks across the entire value chain. Relevant policies and procedures are also communicated to all third parties involved with de Volksbank. In addition, in 2023 de Volksbank defined its ambition to further strengthen its corporate (risk) culture by securing the required risk awareness and risk capabilities throughout the organisation by expanding on our current efforts to provide anti-corruption training sessions.

### Management, actions and procedures

As to ethical business conduct and corporate culture, de Volksbank has tailored its ambitions towards risk culture; a sound risk culture supports the identification and acknowledgement of relevant risks in line with the bank's vision, risk appetite, customer needs within the applicable legal frameworks. It shapes the daily decisions of management and employees alike, and promotes an environment of open communication and effective challenge, motivating employees to do the right thing and have a positive impact on the risks taken. In 2023, we developed and implemented an action plan to further enhance the prevention, mitigation and remediation of culture and conduct risks within the bank.

### Ethical organisation survey

In addition to the regular employee satisfaction survey, the all-staff Ethical organisation survey was introduced in 2022, aiming to measure how employees perceive the risk culture within the organisation. This survey is structured using the science based soft controls model of KPMG and provides insights on how employees perceive the risk culture within de Volksbank. To ensure a safe and anonymous process, this survey is conducted with support from a dedicated research organisation Motivation. After sharing the survey results with management, discussing them in the teams and providing advice on how to further enhance the risk culture, we added some questions to the survey in 2023 so as to align it with the risk culture requirements from the EBA Guidelines on Internal Governance. In 2023 the results based on 52% response showed an ongoing strong employee engagement (average of 94% positive score on underlying questions) and a steep increase in the soft controls, enforcement (increased trust in how de Volksbank deals with incidents and misconduct), clarity (especially on how to report an incident or misconduct), feasibility (especially ethical decision making while understanding the risks taken) and transparency (noticing unethical conduct and learning from mistakes). Areas for improvement turned out to be exemplary leadership behaviour, i.e. the visibility of ExCo members behaving in line with the bank's shared values and policies, and accountability in general, especially escalation behaviour. Senior management had a KPI for 2023 to develop improvement plans by the end of Q4.

Besides embedding the risk policies via the standard risk management processes, such as on identification, risk assessment, mitigation, monitoring, reporting and investigation of events and concerns raised, additional initiatives aim at promoting and evaluating a sound corporate risk culture within de Volksbank. Key activities that we focus on are:

### Ethics Office

Initiatives that immediately demonstrate our commitment to safeguarding an ethical organisation are the setup of a permanent Ethics Office within the Compliance function, the continued roll out of moral decision making and the recent set up of an

Ethics Committee. The Ethics Office provides support and advice on ethical challenges and is an integrated part of decision-making procedures on, for instance, Artificial Intelligence development. In addition to its advisory work and ethical reviewing of key decisions on new products, services and systems, the Ethics Office launched several new research and policy initiatives. In close collaboration with a broad consortium of research partners, de Volksbank is involved in a scientific exploration of 'Explainability in AI systems' and has taken the first steps of integrating ethical data and AI use into ESG and impact investment-related criteria.

### Moral decision making

The dilemmas of today might be the issues of tomorrow. Therefore in 2023, the concept of moral decision making, based on de Volksbank dilemma model, was further introduced via small-scale workshops throughout the organisation. De Volksbank's dilemma model is also embedded in its Code of Conduct. Moral decision making aims to improve the capabilities for structured, well-balanced and documented decision-making procedures to prevent future issues or incidents. It also increases the explicability towards - and subsequently trust from - our stakeholders and promotes a learning organisation.

### Ethics Committee

The Ethics Committee is a new advisory body which is organised 6 times per year and addresses important normative questions and provides advice on bank-wide ethical dilemmas. This Committee consists of members from the ExCo, senior management, workers council and representatives from several 1<sup>st</sup> and 2<sup>nd</sup> line functions. In addition to promoting ethical conduct and creating awareness of social responsibility, this committee will contribute to building 'moresprudence', i.e. building up expertise and experience on how to deal with certain ethical dilemmas through the Ethics Committee.

### Code of conduct

In 2023, de Volksbank updated its Code of Conduct and the additional Rules of Conduct, describing the expected conduct of its employees in more detail. To create additional awareness on this topic, all staff was requested to confirm having read, and promising to adhere to, the Rules of Conduct (in the second quarter of the year, all staff sign-off rate of 97%) via the existing HR systems (annual confirmation). In addition, an all-staff e-learning was rolled out and monitored via the internal HR learning platform (all-staff sign-off rate of 77% at year-end 2023). Moreover, all new employees are obliged to take the Bankers' Oath, which includes compliance with the applicable laws and regulations, rules of conduct, and well-balanced decision making, putting the customer's interests first. The purpose of this oath is to promote ethical business conduct within the banking sector and to safeguard the trust society has in banks. Taking the oath is monitored by Compliance on a yearly basis.

## Responsible tax policy

### Tax strategy

De Volksbank and its brands ensure compliance with the laws and regulations governing their business operations and activities. This includes a responsible tax strategy that benefits the organisation and our customers, while meeting the requirements of the tax authorities and society at the same time. Taxation is a powerful instrument to incentivise and change sustainable and corporate behaviour that helps build a more sustainable world. It is also a critical driver of progress towards a more environmentally, economically and socially responsible future and towards achieving the Sustainable Development Goals (SDGs). We are well aware of the fact that health, safety, education and other public expenditure are paid for from tax revenues, so we are committed to pay our fair share of tax. De Volksbank attaches great importance to the GRI 207 tax reporting requirements. Public disclosures on tax information increases transparency and promotes trust and credibility in the tax practices of de Volksbank and taxation in general. It enables stakeholders - such as tax authorities, investors, policymakers, employees and the general public - to make informed decisions about our tax approach and position. De Volksbank is transparent about its approach tax approach, position, contribution and policy in its annual and financial reporting and about its meetings with the tax authorities. This also ties in closely with the ESG principles.

Our tax policy, including our tax strategy, is approved by the Financial Committee (FinCo), Executive Board (ExBo) and is reviewed by the Audit Committee on an annual basis as well as when substantive changes are needed.

### Tax planning and the spirit of the law

Naturally, we aim to be fully compliant with all relevant tax laws, regulations and domestic and international standards. In addition, we check if we comply with the spirit of said laws, regulations and standards, in other words, with their real meaning or intention. We do not consider it appropriate to push the limits on taxation. We have no objection to being granted a tax benefit as intended by tax legislation when it has economic substance, but we will not devise or set up aggressive tax structures to avoid tax, nor use tax havens to obtain tax benefits. Moreover, we do not let tax considerations play a decisive role.

De Volksbank does not undertake steps, or pursue (an artificial) strategy, to obtain tax benefits. As de Volksbank is dedicated to pay its fair share of tax, we do not endorse confidential agreements with tax authorities that are contrary to (the spirit of) the laws and regulations or that would lead to socially unacceptable or unethical tax arrangements. Nevertheless, we may engage in non-aggressive tax planning initiatives and make use of government incentives and or subsidies, but only when such planning is in line with the letter and spirit of the regulations, legitimate interests and corporate social responsibility.

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

With respect to some of our customer products, such as potential tax-deductible interest on mortgages, we do not consider any tax aspects.

### International aspects

In recent years, the focus on tax policies of internationally operating corporations, and on international tax evasion in particular, has increased. De Volksbank endorses international legislative tax evasion initiatives, for example by the OECD and EU, and new or amended domestic legislation following from these initiatives. And, even though not all of these initiatives are equally applicable to us as we are only based in the Netherlands, we might use these initiatives and views as guidance.

De Volksbank solely reports on our total tax contribution for the Netherlands. We have no local presence in other countries and are therefore not subject to any foreign income tax. Consequently, there is no need to carry out country-by-country tax reporting or to focus on international transfer pricing documentation.

The Dutch Minimum Taxation Act 2024, also known as Pillar Two, is based on the EU Directive (2022/2523) and was implemented in the Dutch law per 1 January 2024. The Act is designed to ensure that large multinationals with a revenue of more than € 750 million, will pay a minimum level of tax of 15% on the income arising in each jurisdiction where they operate. The expected impact on de Volksbank is limited as we are only based in the Netherlands and the effective tax rate is likely to always exceed 15%. However, we have to prepare a separate specific tax calculation to demonstrate this and have to set up distinct procedures and controls to ensure that we will be compliant.

Under the Mandatory Disclosure Rules (MDR/DAC6), we are obliged to report potentially aggressive cross-border tax arrangements to the Dutch tax authorities. These are tax arrangements involving residents of different countries and could possibly be used for tax evasion purposes by customers, counterparties or business partners. Looking at de Volksbank's product range and customer profiles throughout the years, we expect the number of reports to be very limited. In 2023, de Volksbank did not report any such arrangements under these rules.

### Dutch tax authorities

De Volksbank maintains a proactive and open relationship with the Dutch tax authorities. In 2023, de Volksbank was reclassified as a Top Post (Top 100) company by

the Dutch tax authorities, with an updated tax monitoring model. The partnership with the Dutch tax authorities thus continues in a similar manner, without major changes for both parties. The working method remains the same and is based on trust, mutual understanding and transparency, with a focus on the internal control environment (part of the Tax Control Framework). At year-end 2023, an individual monitoring plan for 2024 was agreed on by both parties.

De Volksbank and the Dutch tax authorities have regular meetings to discuss potentially important (new) tax position developments and other tax-related topics. In these meetings, we do not only bring up our own point of view, but we also come up with arguments that could argue against our own tax position. When we make mistakes, we will try to find a solution in consultation with the tax authorities and pay any taxes due. We will accept the consequences and learn from our mistakes to avoid repeating them. If any such mistakes affect our customers, we will make sure to mitigate the impact as much as possible.

### Tax organisation

Fiscal Affairs, which is part of the Legal & Fiscal Affairs department, comprises tax professionals with specific qualifications in education and experience. This department is responsible for managing all of the bank's tax affairs. It aims to be fully compliant with all relevant tax laws and regulations, to monitor all relevant changes and developments in the Dutch tax landscape, to ensure the accuracy of the tax position and the total tax contribution result in the financial reporting and to oversee the tax policy. The Head of Fiscal Affairs participates in the FinCo, which is headed by the Chief Financial Officer (CFO). The Head of Fiscal Affairs reports to the Director of Legal & Fiscal Affairs, who hierarchically reports to the Chief Executive Officer (CEO). The Head of Fiscal Affairs has also a dotted line to the CFO. Throughout the year, both receive regular tax updates.

At mid-year and year-end, the tax position, the total tax contribution and an overview of relevant tax matters, combined in a memo, are approved by the FinCo, ExBo, and reviewed by the Audit Committee and the external auditor. In this memo, Fiscal Affairs addresses the complex and rapidly changing tax regulations, future tax developments, material risks and mitigating actions taken, in relation to the organisation.

### Tax risk management and control

Our business operations are subject to a number of risks, including tax-related risks. These risks are an intrinsic consequence of our business activities and the growing complexity and quantity of domestic and international tax laws. Tax risks may have a significant negative impact on our objectives and financial results, and could also lead to financial and reputational damage. The majority of potential risks relate to de Volksbank's business operations and products. De Volksbank has a cautious tax risk appetite and our goal is therefore to manage and minimise these risks where possible.



As mentioned above, these tax risks are mainly limited to the Dutch territory as de Volksbank is domiciled in the Netherlands, has a focus on the Dutch retail market and only pays tax in the Netherlands.

De Volksbank has a strong tax governance framework. The various risks are mitigated by our tax control measures, such as automated review and validation controls, which help us identify risks and impact, minimise errors, including the review of tax calculations and corporate income tax and VAT positions. But they also help us file timely, accurate and complete tax returns, make timely tax payments, keep track of potential future changes in legislation, follow up on regular training sessions and presentations for the organisation and management, ensure participation in various internal and external meetings, sign-off on products and services mandatory tax sign-off in the Product Approval and Review Process for complying with tax laws and regulations, and monitor Responsible Tax Policy as a standard.

All our tax control measures combined constitute our Tax Control Framework, which is part of Horizontal Tax Monitoring and de Volksbank's Integrated Control Framework.

The specific tax control measure used depends on the type of risk, probability and potential impact, both financial and reputational. The types of tax risks vary from reporting risks, compliance risks to changes in legislation. Reporting risks include the use or filing of incorrect or incomplete financial results and/or tax disclosures and reports, resulting in inaccurate or misrepresented tax positions in financial reporting. Compliance risks include the untimely filing of tax returns or other disclosures and not paying the tax amounts due in time. The specific risks are identified via thorough analysis carried out by Fiscal Affairs and relevant departments. Examples of changes in legislation could be new tax laws, changes in (interpretation of) tax laws, changes in tax rates, new case law or changes in customer taxation rules.

These risks could materialise in additional costs such as tax penalties and interests for late tax payments, but more importantly, they could harm our good relationship with the Dutch tax authorities and/or result in reputational damage.

De Volksbank's risk governance is based on the three lines of defence model: the business (including Fiscal Affairs), Risk Management function and the Audit function. Specific risks are identified and captured in a risk and control system, the so-called Integrated Risk Management tool. The first line of defence owns and manages the tax controls. The second line provides a framework, policies, guidelines and oversight and the third line deals with risk assurance. First-line risk owners are responsible for conducting a Risk Control Self-Assessment (RCSA) whenever the entity's risk position has changed substantially and at least once a year. The first line is also expected to establish a control testing strategy in accordance with EC Risk guidelines. In addition,

the second line will test the controls to assess the performance of the first line's control testing.

Identified potential risks are presented in the Quarterly Business Report (QBR), allowing management to steer them into the desired direction. In addition to first-line risk reporting, both the second line Risk Management function and the Compliance function will present their independent monitoring activities in the Risk Report, which is discussed in the Operational Risk Committee (ORC) and presented to the ExBo.

There is an increasing tendency to exchange data and information with tax authorities, based on national and international law and regulations. In the near future, we expect more compliance requirements - in addition to the existing ones - in the field of automated tax, data filings and data management, as well as in relation to the Know Your Customer (KYC) principle combined with the ESG requirements. To maintain a strong tax governance framework, technology will therefore continue to play a significant role.

Any concerns about de Volksbank's unethical or unlawful tax-related behaviour may be voiced through the regular processes and procedures of incident and loss management, as well as through the whistleblowing procedure.

#### Tax contributions, incentives and compliance in 2023

The 2023 total corporate income tax expense of de Volksbank amounted to € 160 million. The effective tax rate was 27.1%, slightly above the 2023 nominal rate of 25.8%. For 2022, the effective tax rate was 26.0%, with a statutory rate of 25.8%. De Volksbank has no foreign branches or participations.

Apart from corporate income tax, de Volksbank is subject to several other taxes. For 2023, these taxes and amounts are as follows:

- Payroll tax and social security contributions: € 111.3 million (2022: € 103.1 million). These are withheld from employees' wages but, being part of the salary costs, are for the account of and paid by de Volksbank.
- Non-recoverable VAT: € 62.9 million (2022: € 47.4 million). The services provided by de Volksbank are mostly exempt from VAT. In principle, VAT charged by suppliers to the bank cannot be reclaimed from the tax authorities. Therefore, the non-deductible VAT is an additional cost for de Volksbank.
- Consistent with the bank tax for 2022, de Volksbank does not owe any bank tax for 2023 as we remain below the levy's exemption threshold.

The sole incentive or subsidy claimed by de Volksbank is the energy-investment allowance, also known as EIA. The purpose of this allowance is to encourage investments in energy-saving business assets or in sustainable energy.

Environmental taxes - such as carbon, plastic and sugar tax, or tax credits for renewable energy investments - do not apply to our business operations and organisation. However, this may change in the future as a result of new tax reforms.

Our tax position is included in the Financial statements. For more details, see Note 9 [Tax assets and liabilities](#) and Note 33 [Taxation](#).

#### Tax risk policy on customers, business relations and transactions

We aim to ensure that our procedures and measures to identify, verify and report on our customers' tax status comply with the applicable domestic and international regulations, such as the Common Reporting Standard (CRS) and the Foreign Account Tax Compliance Act (FATCA).

Within the context of the KYC principle for customers and business relations, we also monitor tax behaviour. Furthermore, de Volksbank does not provide any direct tax advice, nor do we want to facilitate international tax-aggressive structures.

De Volksbank aims not to invest in, or provide loans or products to, customers and business relations that might facilitate tax evasion, aggressive tax planning, for example through tax havens, nor do we want to support transactions in which tax savings are the main objective. De Volksbank considers 'tax havens' to be those jurisdictions that are deemed non-corporative by the Netherlands, the European Union or the Anti Money Laundering Centre (AMLC).

A transaction or standpoint should be robust, have sufficient economic substance and should not have any other negative effects or go against our own integrity standards.

By this we mean the following:

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

#### Commitments and codes

Our commitment to voluntary and mandatory initiatives and transparent disclosure adds a layer of accountability to our business activities and performance. All our brands engage in various other initiatives and commitments; for the full list and latest updates, see Section [List of commitments and initiatives](#).

For more information on our compliance to mandatory codes like the Banking Code and the Corporate Governance Code, please refer to Section [3.5 Codes](#).

#### Anti-corruption, bribery and conflicts of interest

The Rules of Conduct include that employees are expected not to engage in any form of corruption, bribery or conflicts of interest. Nor raise the suspicion thereof. The Rules of Conduct also explain how employees can recognise and prevent this. For instance, employees should be mindful when accepting or offering gifts in the context of their work and when engaging in an outside position.

We currently have no specific KPIs on corruption, but on compliance risk management in general. In 2023, no incidents of corruption were reported. This also entails that no employees were dismissed, disciplined or given a fine, and that none of our contracts with business partners were terminated or not renewed following our careful monitorisation on corruption and related aspects. As a consequence, in 2023, no public legal cases were brought against de Volksbank or its employees. Proper communication and training to board members and all other staff on this topic was organised via the mandatory sign off and awareness module on the Code of Conduct as described above. In addition, the bankers' oath is mandatory for all employees. The bankers' oath has been signed by 88% of our employees within 3 months of commencing employment, including new joiners that started in Q4. This sign off is registered and monitored by management supported by the regular HR systems. Besides employees, de Volksbank should also prevent customers or third parties to become engaged in corruption and bribery. De Volksbank has an anti-corruption policy that describes controls that are in place to prevent this from happening, such as a robust due diligence process and transaction monitoring. Additional policies with controls (e.g. customer acceptance policy, procurement policy and outsourcing policy) and screening processes (e.g. for screening new staff, investments and business relationships) are in place to prevent the risk of bribery and corruption causing damage to fair competition in the economy, public trust and the integrity of de Volksbank in general.

The risk of corruption, bribery and conflicts of interest is assessed and monitored on a regular basis via the regular risk management processes.

### Mechanisms for seeking advice and raising concerns

Any concerns about the organisation's unethical or unlawful behaviour may be voiced through the regular processes and procedures of incident and loss management as well as through the whistleblowing procedure. To meet the EU Directive on raising concerns and protecting whistleblowers (EU Directive 2019/1937), de Volksbank has implemented the required safe reporting channels and procedures for employees and other internal and external stakeholders. A well-spread network of confidential advisers is available to report concerns about malpractices or misconduct and to coordinate any follow-up activities where necessary. This network is also available to provide support, guidance and to offer staff the opportunity to raise concerns about malpractices. The Executive Committee and Works Council are kept informed on all reports made via the annual Complaints and Incidents report.

In 2023, de Volksbank aligned the existing whistleblowing policy with the Dutch Whistleblower Protection Act (*Wet Bescherming Klokkeluiders*, based on EU Directive 2019/1937). The Ethical Organisation survey shows that our employees are motivated to comply with our Code of Conduct, experience that their manager acts in line with the code, are familiar with the content of the code and know where to find it. Besides, most employees agree with the content of the code and are aware of the risk the bank runs if their behaviour is not in line with the code. However, according to some employees, the existing reporting procedures are not perceived as being very accessible and transparent. This was endorsed by several confidential advisers. Therefore, in close collaboration with relevant stakeholders, we developed an improved reporting procedure aimed at enhancing a speak-up culture within de Volksbank. The new procedure was approved at the end of 2023 and will be implemented in the first quarter of 2024.

## 2.4.4 Compliance with laws and regulations MT

[We adhere to all laws and regulations applicable to the financial services sector.](#)

As a result of an increasing number of laws and regulations, at a national and European level, it remains both a challenge and a crucial aspect of de Volksbank's business operations to make sure we implement these regulations in a proper and timely manner. De Volksbank continues to work on its individual resilience and stability without losing sight of all its stakeholders. In this section, we outline the most noteworthy and relevant laws and regulations in relation to customer interests, prudential supervision and sustainability, and how de Volksbank deals with implementing them.

### Impact

Complying with laws and regulations is a prerequisite for our 'license to operate'. By doing so, we create shared value and a positive impact for our stakeholders. CE Compliance and de Volksbank, on ExCo level, has continuous and regular updates with the supervisors. Furthermore, CE Compliance quarterly reports to ExCo, R&CC and also to supervisors. Potential negative impacts due to non-compliance with laws and regulations are, for example, scams, money laundering, the financing of terrorism, data breaches, hacking and administrative penalties or fines imposed by supervisory authorities. By complying with the relevant laws and regulations we avoid these negative impacts. We are also exposed to potential negative impacts through our business relationships, for example if our suppliers or counterparties fail to comply with domestic and international laws and regulations.

The risk and opportunity-related impact remain rather low but widespread. In this respect, de Volksbank is aware of the fact that although most of its business activities are conducted in the Netherlands, we are also involved in global projects and loans, for example via ASN Impact Investors. Not complying with laws and regulations within this wide realm will result in inside-out impacts on the environment and society. So, complying with laws and regulations has a safekeeping function both internally for de Volksbank by for instance preventing money laundering, and externally by setting regulatory-based strategic goals. In that respect, complying with laws and regulations helps de Volksbank manage both inside-out and outside-in impacts on the environment and society as a whole.

### Risks and opportunities

The risk type associated with this material topic is compliance risk. Non-compliance with laws and regulations may have a negative impact, both financially and non-financially. Besides these negative effects, we are required to comply with a broad scope of laws and regulations to operate our business. More on this in the Section [4.3.3 Compliance risk](#). Based on an internal double materiality assessment (DMA), we determined that this material topic has a high material risk and serves low opportunities to de Volksbank. Compliance with all relevant and applicable laws and regulations creates certain dependencies on human resources. The main risks arising from this dependency are higher costs to keep up with regulatory requirement and the likelihood of supervisory penalties. The risk is classified as material as fines for non-compliance can be severe.

### Management, actions and procedures

We define compliance risk as the risk that de Volksbank fails to comply with laws, or the spirit of any such laws, and additional regulations, self-regulation and relevant codes of conduct. The Compliance Function continuously monitors compliance with laws, regulations and internal policies.

The taxonomy of compliance risk distinguishes three sub-risks:

- Conduct Risk
- Customer Integrity Risk
- Business Integrity Risk

We ensure better identification and management of compliance risks by means of tools, such as regulatory technology, Compliance Management Dashboarding and new privacy tooling. The mission of the Compliance Function is to ensure that de Volksbank is just doing the right thing, as a socially responsible and integrity minded bank with strong customer relationships. The Risk Management Policy: Compliance Risk, describes the risk management framework for compliance risks. Compliance risk can be divided into three sub integrity risks, i.e. business integrity risk, conduct integrity risk and client integrity risk. To minimise compliance risks, these sub risk types each have their own risk policies. There are internal key risk indicators - also for each sub integrity risk to track our effectiveness and monitor compliance risks.

#### Conduct Risk

De Volksbank strives to achieve is envisaged corporate (risk) culture, awareness and conduct in which all staff recognise and acknowledge relevant risks in line with the bank's vision, risk appetite, customer needs and within applicable legal frameworks. It shapes our managements and employees' day-to-day decisions and fosters an atmosphere of open communication and challenge which motivates employees to do the right thing and have a positive impact on the risks that are taken. By disclosing how we comply with laws and regulations, we make sure that both our customers and society are well informed on this topic. We also organise awareness sessions about new laws and regulations and our compliance and risk culture for all employees to safeguard compliance with relevant laws and regulations going forward. At our General Meeting of Shareholders there is continuous attention for compliance. This is the main instrument used to evaluate the progress on our targets, and allows for conversations on lessons learned and discuss instated policies and procedures and their effectiveness.

#### Customer Integrity Risk

De Volksbank strives to fully fulfil its role as a gatekeeper to the financial system and to minimise the use of its products for Financial Economic Crime. In line with our strategy and mission, we have a low to very low risk appetite for Customer Integrity Risk. De Volksbank has policies and procedures to mitigate AML/CFT, Tax Integrity and Sanction Legislation risks.

On certain anti-money laundering-related topics, we continue to collaborate with major banks and public parties, the Financial Intelligence Unit and the national police. Through this network of stakeholders we engage and continue to participate in Transaction Monitoring Netherlands (TMNL).

#### Business Integrity Risk

Business Integrity Risks within de Volksbank consists of Privacy risk, Prudential risk and Product Integrity risks. Through monitoring and conducting investigations non-compliance incidents and/or other signals that led to further investigations, have been identified and/or followed up on. Remedial actions may also follow from differences of opinion on the applicability of certain regulatory requirements between supervisory authorities and de Volksbank.

#### Significant instances of non-compliance

Despite efforts to comply with laws and regulations, de Volksbank does not always meet its own expectations and those of regulators, customers and society as a whole, which might result in significant instances of non-compliance. De Volksbank interprets significant instances as instances in which non-compliance was detected and acted upon by supervisors or entailed legal proceedings. Following this interpretation, we did not identify any instances of non-compliance resulting in non-monetary sanctions, nor of non-compliance with regulations resulting in a fine or warning with respect to product and service information. We did, however, encounter some significant instances of non-compliance in 2023 that differ in nature in relation to the previous interpretation. These are related to customer integrity (see Section [4.4.3 Compliance risk - Know your customer \(KYC\)](#) and Note [20 Contingent liabilities and commitments](#)), the reassessment of the capital treatment policy for exposures to Swiss Cantons and the Swiss cantonal banks guaranteed by Swiss Cantons (see Note [31 Other operating expenses](#)), and one instances in which the AFM issued a warning letter for non-compliance with legislation concerning the ASN commercials for (sustainable) investments (see Section [4.4.3 Compliance Risk - Business integrity risk](#)).

#### Customer interests

We take our customers' interests into account without losing sight of the other stakeholders, i.e. society, our employees and our shareholder. Below, we describe the most relevant regulatory developments related to customer interests in 2023.

#### General Data Protection Regulation

De Volksbank continues to enhance compliance with the General Data Protection Regulation (GDPR) to protect the privacy of our customers and employees. We continue to work on the privacy governance within de Volksbank. A team of first-line privacy staff continues to support the ongoing implementation of the GDPR. De Volksbank also began to incorporate the Processing Register into a supported privacy tooling, facilitating the continued improvement of privacy management within the organisation. Following the decision by the Court of Justice of the EU (CJEU) regarding data transfers, we scrutinised and reassessed all contracts with (sub)processors for the risks resulting from data processing in countries outside the European Economic Area (EEA). In addition, we concluded new Standard Contractual Clauses (SCC), where applicable.

To further close the privacy gaps in our data warehouse, we have to execute a full migration of the previous data warehouse to the new data warehouse (FDWH 2.0). This process has our full attention.

### European Anti-Money Laundering Directives

De Volksbank takes all reasonable measures to prevent the bank and/or the financial system in general from money laundering and terrorist financing. We consider the gatekeeper function to be an integral part of our business operations. The ongoing changes to the laws and regulations impact our processes as well as our organisation. However, De Nederlandsche Bank (DNB) has concluded that de Volksbank does not adequately identify and assess its risks related to money laundering, the financing of terrorism and integrity. Therefore DNB imposed an instruction to remediate our Systematic Integrity Risk Analysis (SIRA) and also announced its intention to start a procedure to impose an administrative fine. For more information about this topic, see Section 4.4.3 Compliance risk - Know your customer (KYC).

Furthermore, we continue to collaborate on certain AML-related topics with major Dutch banks and public parties, the FIU and the national police. In 2023, de Volksbank continued to participate in TMNL. In this initiative, launched by ABN AMRO, ING Bank, Rabobank, Triodos Bank and de Volksbank, said banks are joining forces to contribute to boosting the effectiveness of anti-money laundering and financing of terrorism by bringing together transaction data from different banks and making meaningful connections between them.

### Payment services

As far as payments are concerned, we monitor general and legislative developments that will, or may, play a major role in the years ahead. One such a development is the European Retail Payment Strategy, which is part of the EU's broader Open Finance Strategy in which European acceptance of instant payments is the key element. ECB's investigations into the possibility of issuing a digital euro is another topic that is of great interest to us. With respect to access to payment accounts, the European Payments Council (EPC) is developing a new scheme, SEPA Payment Account Access (SPAA). This development towards a new scheme covers payment services on top of the mandatory services stemming from PSD2. We will decide in due course when participation in the scheme becomes relevant. The EC published its first proposal of the PSD3 where the Payment Service Regulation (PSR) is important to de Volksbank. Compared to PSD2, the PSR proposal introduces new requirements on two themes: open banking and consumer protection in relationship with fraud prevention and refund rights. To build trust, we implemented the permission dashboard as early adopters under PSD2, thus providing transparency and user control over to our customers. We are pleased that the EC included permission dashboard requirements in its first PSR proposal. We provided feedback on the first version of the PSR and will closely monitor future developments of this regulation. The EPC has postponed the migration date of the Single European Payments Area (SEPA) payment scheme

rulebook to March 2024. De Volksbank will update its electronic payment systems in order to be compliant as from the mandatory entry into force date.

### Sanctions

In 2023, several new sanction packages against Russia, Belarus and the occupied territories of Ukraine have been issued by the EU in furtherance of the sanctions imposed in 2022. As a result of these developments, the supervisory authorities also focussed on the implementation of sanctions. *De Nederlandsche Bank (DNB)* published a report containing a conclusion on the thematic industry-wide sanction reviews conducted in 2022. Also, the national sanctions act is being modernised and a new sanctions act may be published in 2024. This act will have an impact on de Volksbank as we strive to continuously contribute to the effectiveness of (international) sanctions aimed at maintaining or restoring international peace and security, as well as at promoting the international legal order.

### Digital Operational Resilience Act

As part of the Digital Finance Package, the EC has issued a draft regulation to increase the financial sector's digital resilience: the Digital Operational Resilience Act (DORA). The act will enter into force on 17 January 2025. De Volksbank closely monitors regulatory developments on the DORA and assesses the impact on the organisation through a gap and impact analysis. De Volksbank initiates workshops, including at board level, to create awareness across the organisation. De Volksbank has started preparation to update its integral framework of policies, controls and processes to ensure compliance with the DORA.

### Interbank Settlement Systems

T2 has replaced TARGET2 as the new real-time gross settlement (RTGS) system for settling payments related to the Euro system's monetary policy operations. De Volksbank complied with this initiative of the ECB. The new consolidated platform was launched in March 2023, together with SWIFT's migration to the ISO20022 standard entitled cross border payments and reporting+ (CBPR+).

### Prudential supervision

The key developments in prudential supervision in 2023 are described below.

### Implementation of Basel IV in the European Union

In order to reduce risk in the banking sector and strengthen the Banking Union, the EU gradually revised its framework of harmonised banking supervision rules over the past few years. This prudential framework is represented by the Capital Requirements Directive (CRD), the Capital Requirements Regulation (CRR), the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR). As a final step, the EC issued its draft proposals for the transposition of Basel IV, known as CRR III and CRD VI, into EU legislation in October 2021.

Legislative procedures to reach agreement are approaching the final stages. The proposed implementation date is 1 January 2025 with a 5-year phase-in period of the output floor. The new prudential rules include the introduction of a capital floor based on standardised approaches, a revision of both the internal ratings based and standardised approach for credit risk and new rules for operational and market risk.

#### CMDI

On 18 April 2023, the EC published its proposal for the Reform of the Banking Crisis Management and Deposit Insurance Framework (CMDI). Within this proposal, the EC specifically focussed on strengthening crisis management for medium-sized and smaller banks. It is likely there will be revision to key directives, including the BRRD. During a bank's resolution process, one of the proposal's components is aimed at expanding the use of the Deposit Guarantee Scheme in order to better protect depositors from losses and minimise the risk of using taxpayers' money. A key principle remains that a bank's internal loss absorption, i.e. the capital eligible for a 'bail-in', is used first. The proposal is currently under consideration by the European Parliament and the Council of the European Union. The impact of the proposed amendments on de Volksbank are to be assessed and we therefore closely follow the developments of this proposal.

#### Capital and liquidity position

De Volksbank assesses whether its financial stability and continuity is guaranteed from various perspectives. Supervisory authorities are provided with our data reports and analyses, such as ICAAP and ILAAP, external and internal stress tests, the recovery plan and information for the purposes of resolution planning.

For more information on the BRRD, ILAAP, ICAAP, SRMR/MREL and bail-in, see Section 4 Risk Management.

#### Risk weight floor for mortgage portfolio

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

#### EBA Guidelines on loan origination and monitoring

The EBA published the Guidelines on loan origination and monitoring in May 2020. These guidelines, which are applicable to all credit institutions in Europe, require said

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

#### EU Green bonds

On 6 July 2021, the EC published a proposal for a Green Bond Regulation to create a European Green Bond Standard (EUGBS). This EUGBS relies on the EU Taxonomy Regulation, and aims to facilitate the further development of the European market for green bonds. The regulation also aims to reduce the risk of greenwashing by setting high standards for the issuance of green bonds, and forms part of the European Green Deal which sets an objective of making it easier for investors and companies to identify credible sustainable investments.

Even though the Green Bond Regulation will be a voluntary standard giving issuers the choice whether or not to opt for the EUGBS designation, the EC has decided to take a legislative route. Green bond issuers in the EU who are not compliant with the new rules may run the risk of greenwashing. The developments regarding the Green Bond Regulation and the EUGBS designation are important to de Volksbank because it is a frequent issuer of green bonds and in view of its Green Bond Framework. In 2023, de Volksbank issued green bonds in the amount of € 1 billion (Senior Non-Preferred Notes) under its Green Bond Framework.

On 5 October 2023 the EU Parliament has adopted the proposal for the Green Bond Regulation, which still needs to be formally adopted by the European Council. The Green Bond Regulation will enter into force on the twentieth day following its publication in the Official Journal, and will start applying 12 months after its entry into force.

#### Sustainability

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

### EU Taxonomy

De Volksbank is impacted by material regulatory developments such as disclosing information as to what extent our funding activities are associated with environmentally sustainable economic (taxonomy-aligned) activities. The EU Taxonomy provides a classification system of economic activities that contribute to, and at the same time do not significantly harm the environment and safeguard minimum social standards. For its Integrated Annual Report (IAR) 2023, de Volksbank meets its obligation to report on EU Taxonomy eligible and aligned activities. We also report on ESG risks following the ECB's Guide on climate-related and environmental risks and the Pillar 3 disclosure on ESG risks. This guide describes how the ECB expects financial institutions to take these risks into account in their business strategy, governance and risk management. The disclosures in our Pillar 3 Report not only show how transition risk and physical risk resulting from climate change affect our balance sheet and how these risks may be risk drivers for other risk types, it also gives qualitative information on our strategy, governance and risk management framework on ESG risks.

An overview of our EU taxonomy reporting obligations can be found in Section [2.2.3 EU Taxonomy](#). For more information on the EBA ESG Pillar 3, see our separate Pillar 3 report.

### Corporate Sustainability Reporting Directive (CSRD)

De Volksbank is in the process of implementing the CSRD that entered into force on 5 January 2023. The CSRD is the revision of the Non-Financial Reporting Directive (NFRD) and enhances the scope of the rules laid down on the disclosure of companies' non-financial and diversity information. The published European Sustainability Reporting Standards (ESRS), which are an integral part of the CSRD, sets new reporting requirements. Although our first reporting obligation under the CSRD will be for the full year 2024, we have incorporated as many elements of the CSRD as possible in our IAR for 2023.

Moreover, we are tracking developments such as the Corporate Sustainability Due Diligence Directive (CSDDD) and Guidelines on sustainability claims. The aim of the CSDDD proposal is to foster sustainable and responsible corporate behaviour and to embed human rights and environmental considerations in our business operations and corporate governance. The new directive will ensure that companies perform due diligence on their value chains and address adverse impacts.

The AFM publishes Guidelines on Sustainability Claims for financial institutions and pension providers, thus providing guidance to market participants on how to make correct, clear and non-misleading sustainability claims.

The AFM considers transparency on sustainability aspects to be very important. We therefore see the market participants' focus on this as a positive development and consider it as important guidance for us.



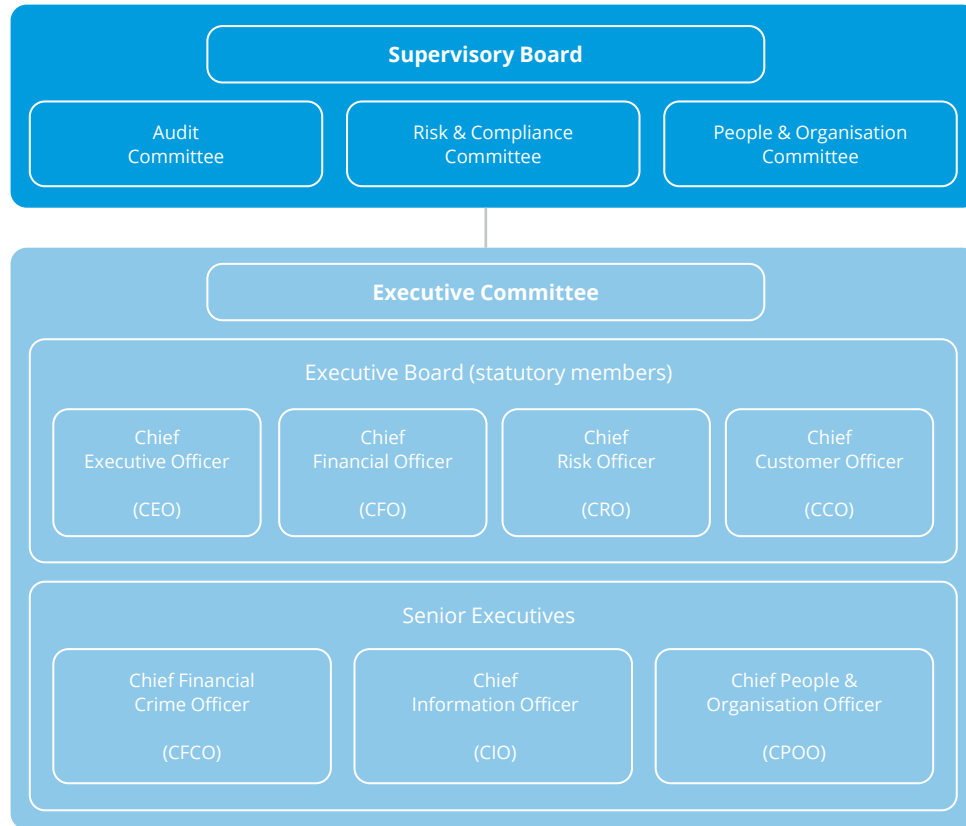
Leadership and governance



### 3. Leadership and governance

#### 3.1 Supervisory Board and Executive Committee

##### Management structure as per 31 December 2023



#### Executive Board and Executive Committee Changes to the Governance Structure

As part of strengthening and safeguarding of Know Your Customer (KYC) measures, including sanctions screening and transaction monitoring the role of Chief Financial Crime Officer (CFCO) has been created as per 1 November 2023. The recruitment and

selection process for the CFCO has started. Until the vacancy is filled, the CEO shall be responsible for KYC and the client integrity recovery program.

As a result of the introduction of the CFCO, the position of Chief Transformation Officer (CTO) has been cancelled as per 1 November 2023.

#### Role and responsibilities

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

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

In particular customer centricity, behaviour consistent with the values, innovation and digitalisation and sustainable growth in operating income shall be among the main strategic objectives.

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

#### Executive Committee Composition and diversity

As from 31 December 2023, the ExCo consists of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the Chief Risk Officer (CRO), the Chief Customer Officer (CCO), the Chief Financial Crime Officer (CFCO), the Chief Information Officer (CIO) and the Chief People and Organisation Officer (CPOO).

The ExCo's composition is based on de Volksbank's Diversity and Inclusion Policy which focuses on recognising and valuing both customers' and employees' diversity. The



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

purpose of the policy is to optimally contribute to the execution of the bank's strategy. The Supervisory Board draws up job profiles for the ExCo in consultation with the ExCo itself. The profiles specify the required knowledge, suitability, expertise, integrity and availability of the ExCo and its members. As far as education and professional experience are concerned, the profiles set out the relevant aspects of diversity and inclusion, such as nationality, age, gender and background with regard to education and professional experience.

As from 1 January 2022, the Dutch Act on Gender Balance in Management and Supervisory Boards (Dutch Act on Gender Balance) came into force. This Act on Gender Balance imposes an ingrowth quota of at least one-third male and one-third female members on the supervisory boards of Dutch listed companies in the Netherlands. Although de Volksbank is not a listed company, and its shares are privately held by NLFi, the bank voluntarily applies the Act on Gender Balance in full. In addition, de Volksbank has to have drawn up appropriate and ambitious targets

to promote gender diversity across the organisation and is required to report on the above targets and plans, and the progress made. De Volksbank's 2025 target has been set at a 40%/60% female/male ratio at all management levels. At year-end 2023, the percentage of women on the ExCo was 33%, excluding one vacancy. This percentage is in line with the Gender Balance Act.

In succession planning and when filling vacancies, de Volksbank gives due consideration to any applicable diversity requirements in its search for suitable new members for the ExBo and ExCo's Senior Executives who meet the fit and proper requirements stipulated in the Act on Dutch Financial Markets Supervision and CRD IV.

### Appointment, suspension and dismissal

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

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

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

### Functioning

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

The Rules of Procedure for the ExBo and ExCo were updated on 8 February 2024. The ExCo meets on a weekly basis and takes decisions by a majority of votes. In fulfilling the mission and ambition of de Volksbank, the ExCo continuously and explicitly weighs up the interests of all stakeholders.

### Personal details

The following is a concise description of the ExCo members' professional experience as at 31 December 2023:

#### Martijn Gribnau

##### Chief Executive Officer

1964 – Nationality: Dutch – Gender: Male

Martijn Gribnau joined the Executive Board on 17 June 2020 and was appointed Chief Executive Officer of the Executive Board and Executive Committee with effect from 15 August 2020. Martijn holds no other positions.

Until 2012, Martijn was employed at Postbank, ING Bank and Nationale-Nederlanden, where he held various executive positions in the Netherlands and abroad, including that of General Manager of the Dutch Retail Board and Insurance Board of ING and CEO of ING Insurance Hungary and Bulgaria. Prior to joining de Volksbank, Martijn worked at Genworth Financial/Life and Long Term Care Insurance, a U.S.- based financial services provider, Martijn held the position of CTO.

#### André Haag

##### Chief Financial Officer

1982 – Nationality: German – Gender: Male

André Haag was appointed to the Executive Board and Executive Committee on 1 August 2022. André is the Chief Financial Officer and holds no other board positions.

Prior to joining de Volksbank he served on the Executive Board of Triodos Bank N.V. as Group CFO. Before that he worked for Deutsche Bank from 2011 to 2019, where he held various senior positions in Luxembourg and Germany, notably as Country CFO Luxembourg and Director in Regional Finance Germany. From 2016 to 2019 he was a member of the Management Board and CFO at Deutsche Holdings (Luxembourg) S.à r.l. Prior to that, he held senior positions in the financial consulting industry. During this time he worked for Ernst & Young, PA Consulting Group and IBM Financial Consulting.

#### Jeroen Dijst

##### Chief Risk Officer

1971 – Nationality: Dutch – Gender: Male

Jeroen Dijst was appointed to the Executive Board on 1 August 2016 and reappointed as Chief Risk Officer of the Executive Board and Executive Committee on 23 April 2020. Jeroen holds no other board positions.

Before joining de Volksbank, Jeroen served as Managing Director of ALM/Treasury and member of the Management Group of ABN AMRO. Prior to that, Jeroen served as CRO and member of the Board of Directors of Fortis Bank Nederland. Jeroen started his career at VSB Bank as an Economic Research Treasury/ALM assistant.

#### Marinka van der Meer

##### Chief Customer Officer

1969 – Nationality: Dutch – Gender: Female

Marinka van der Meer was appointed to the Executive Board on 28 September 2018 and reappointed to the Executive Board and Executive Committee as Chief Customer Officer on 21 April 2022. Marinka holds no other board positions.

Before joining de Volksbank, Marinka was CEO of Argenta Nederland. Prior to that, she was Director transformation office NN Benelux, founder and COO NN Bank, and account director ING. Before joining Postbank in 1997, she started her career at Centrum voor Marketing Analyses in 1994.

#### Vacant as per 31 December 2023

##### Chief Financial Crime Officer

#### Michel Ruijterman

##### Chief Information Officer

1970 – Nationality: Dutch – Gender: Male

Michel Ruijterman was appointed to the Executive Committee on 16 May 2022. Michel is Chief Information Officer and non-statutory member of the Executive Committee. Michel holds no other board positions.

Michel has worked in IT leadership positions for over 25 years. Prior to joining de Volksbank, Michel worked in similar positions at Albert Heijn and Air France-KLM.

**Jacqueline Touw****Chief People & Organisation Officer**

1966 – Nationality: Dutch – Gender: Female

Jacqueline Touw was appointed to the Executive Committee on 1 October 2022. Jacqueline is Chief People & Organisation Officer and non-statutory member of the Executive Committee. Jacqueline holds no other board positions.

Prior to joining de Volksbank, Jacqueline was employed at Sligro Food Group as CHRO. Before that she was ultimately responsible for HR at Essent and held various international leading positions at DSM and gained banking experience at Van Lanschot Bankiers N.V.

**Composition of the Executive Committee as at 31 December 2023**

| Name                 |      | Appointed until |
|----------------------|------|-----------------|
| Martijn Gribnau      | CEO  | AGM 2024        |
| André Haag           | CFO  | AGM 2026        |
| Jeroen Dijst         | CRO  | AGM 2024        |
| Marinka van der Meer | CCO  | AGM 2026        |
| Vacancy              | CFCO | -               |
| Michel Ruijterman    | CIO  | 15 May 2026     |
| Jacqueline Touw      | CPOO | 1 October 2026  |

**Supervisory Board****Role and responsibilities**

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

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

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

**Appointment, suspension and dismissal**

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

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

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

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

**Functioning**

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



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

Chair of the SB and the CEO. The Rules of Procedure for the SB were last amended on 1 December 2022. The SB meets at least six times a year, and takes decisions by a majority of votes.

### Ancillary positions and conflicting interests

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

SB members are to report any (potential) conflicts of interests and to provide all relevant information relating to them. The SB, excluding the member concerned, decides whether a conflict of interest exists. In case of any conflict of interest exists,

the relevant member of the SB abstains from discussions and decision-making on a subject or transaction in relation to which the relevant SB member has a (potential) conflict of interest.

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

### Composition and diversity

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

It also sets out the relevant aspects of diversity and inclusion, such as nationality, age, gender and background related to education and professional experience. At the end of 2023, 40% of the SB positions were filled by women, in line with de Volksbank's objective for 2025 and the Act on Gender Balance.

De Volksbank's Diversity and Inclusion Policy focuses on recognising and valuing both customers' and employees' diversity. This policy also applies to the SB. The generic profile of the SB has been approved by NLFi and is published on our website. The generic profile of the SB was last amended on 1 November 2021. When a new member is appointed, the SB will propose a candidate to the Annual General Meeting (AGM), taking this profile into account.

### Personal details

The following is a concise description of the SB members' professional experience as at 31 December 2023:

#### Gerard van Olphen

1962 – Nationality: Dutch – Gender: Male

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

Other positions held by Gerard on 31 December 2023 are:

- Member of the Supervisory Board of a.s.r. / member of the Audit & Risk Committee and member of the Nomination & ESG Committee
- Independent member of the board of GP House B.V.

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

### Jeanine Helthuis

1962 – Nationality: Dutch – Gender: Female

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

Other positions held by Jeanine on 31 December 2023 are:

- Member of the Supervisory Board of Transdev Nederland Holding N.V. / member of the Audit & Compliance Committee, and member of the Selection, Nomination and Remuneration Committee of Transdev Nederland Holding N.V.

Jeanine has broad managerial experience in leading Dutch service providers, including companies in the banking sector. She has held various board and senior management positions at several companies in the logistics sector and in the financial services industry. Until 1 November 2022 Jeanine was a Managing Director at Van Doorne, a Dutch law firm. Prior to that, she was General Manager at PC Uitvaart (2015 – 2020) and Chair of the Board of Directors of Monuta (2009 – 2012). In the intervening period (2013 – 2014), she chaired the working group of the Dutch Investment Institution (NII). In addition, she was a member of the Supervisory Board at Van Lanschot Kempen until May 2021 and vice-chairman of the Supervisory Board of ProRail until the end of April 2023.

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

### Petra van Hoeken

1961 – Nationality: Dutch – Gender: Female

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

Other positions held by Petra on 31 December 2023 are:

- Member of the Supervisory Board of Nordea Bank / chair of the Risk & Compliance Committee and member of the Audit Committee
- Non-executive member of the Board of Oranje Fonds / vice-chair of the Audit Committee and member of the Investment Committee
- Advisor to the Ministry of Economic Affairs and Climate Policy / Chair of the Credit Committee of the Corporate Finance Guarantee Scheme (GO Scheme)
- Member of the Donations Review Committee of Leiden University
- Member of the board of the foundation for the holding and administration of shares under the RDS (Royal Dutch Shell) employee share plans

Petra has extensive managerial and banking experience at Dutch and international banks. Until the end of 2020, Petra was Chief Risk Officer on the Executive Committee of the Intertrust Group. Prior to that, she was CRO and a member of the Managing Board at Rabobank (2016 – 2019), during which period she was responsible for Legal & Compliance and Risk Management of the Rabobank Group. Petra held a similar position at NIBC (2011 – 2016).

Petra started her career in 1986 at ABN AMRO where, after having held various international positions, she became responsible for EMEA & Global Risk Management as CRO. After the split-off from ABN AMRO, she held the same position for RBS.

### Aloys Kregting

1967 – Nationality: Dutch – Gender: Male

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

Other positions held by Aloys on 31 December 2023 are:

- Head of Global Enabling Services ASML
- Member of the Supervisory Board of the Utrecht University Medical Centre (UMC)

Aloys started his career as IT Manager at KPN in 1992. From 1999 to 2008, he was employed at Unilever as IT Manager and from 2004 in the role of CIO. Aloys worked

for DSM from 2008 to 2016. During this period he held the positions of CIO and CSO. Aloys has been CIO at AkzoNobel from 2016 until April 2022.

**Jos van Lange**

1956 – Nationality: Dutch – Gender: Male

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

Other positions held by Jos on 31 December 2023 are:

- Chair of the Supervisory Board (*raad van toezicht*)/Chair of the People and Organisation Committee of Zuyderland Medisch Centrum
- Vice Chair of the Supervisory Board and Chair of the Audit, Risk & Compliance Committee of Bouwinvest N.V.
- Member of the Board of the Foundation of Tilburg University / Chair of the Audit, Risk & Compliance Committee
- Member of the Investment Advisory Committee of cooperative DELA
- Chair of the Landgoed Kasteel Geldrop Foundation

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

**Profile**

| 31-12-2023        | Social identity banks | Strategy | Customers | Distribution | People and organisation | Innovation | Sustainability | IT | Data | Finance | Risk, compliance, audit |
|-------------------|-----------------------|----------|-----------|--------------|-------------------------|------------|----------------|----|------|---------|-------------------------|
| Gerard van Olphen | •                     | •        | •         | •            | •                       | •          | •              |    |      | •       | •                       |
| Jeanine Helthuis  | •                     | •        | •         | •            | •                       |            |                |    |      | •       | •                       |
| Petra van Hoeken  | •                     | •        | •         |              |                         |            | •              | •  | •    | •       | •                       |
| Aloys Kregting    | •                     | •        |           |              | •                       | •          |                | •  | •    |         | •                       |
| Jos van Lange     | •                     | •        | •         | •            |                         |            |                |    | •    | •       | •                       |

## 3.2 Report of the Supervisory Board

### Looking back and ahead with the Chair of the Supervisory Board

From a geopolitical view, 2023 was again an eventful year. The Russia-Ukraine war entered its second year and the crisis in the Middle East impacted the lives of many people. Of course, the issues and challenges that de Volksbank is facing pale in comparison to the suffering of all the people who have been directly affected by these conflicts.

The geopolitical events had consequences for the European economy too, impacting energy prices, inflation and world trade growth. In order to combat inflation, the ECB continued its restrictive monetary policy, which it started in the second half of 2022, by increasing its deposit rate to 4%, from 2.25% at the end of 2022. Following years of low and even negative interest rates, this strongly boosted interest income of European banks.

De Volksbank's 2023 financial results clearly reflect the changed economic environment. Net interest income rose sharply, by more than 50%, as deposit margins rebounded. Operating expenses went up as well, by 23%, with a substantial part of the increase related to higher personnel expenses and projects to improve compliance with laws and regulations. As increased income outpaced expenses, net profit more than doubled to € 431 million and return on equity rebounded to 11.4%. Capital ratios remained robust: the Common Equity Tier-1 ratio was virtually unchanged at 20.2% and the leverage ratio rose to 5.1%.

So, from a financial point of view, 2023 was a successful year. However, the results also highlight the strong dependence of de Volksbank's result on interest income. Diversification of income sources is an important element of de Volksbank's strategy, but -in spite of healthy growth in net fee and commission income- its impact has so far been limited.

Looking ahead, with inflation slowing down and limited prospects for economic growth, we expect ECB interest rates to decline over the course of 2024. This will, in turn, impact deposit margins and thus de Volksbank's net interest income. An important part of the increase of operating expenses in 2023 was structural. To maintain a viable business model, a robust and disciplined approach to costs is therefore an absolute necessity. Hence, income diversification and especially cost containment need to be high on the agenda for 2024. The Supervisory Board will closely monitor progress in these areas.

The two main pillars of de Volksbank's 2021-2025 strategy are to build strong customer relationships and to have a positive and distinctive social impact. In both fields, progress was made. The number of active multi-customers increased and ASN Bank, RegioBank and SNS continued to score well on customer friendliness. At the

same time, customer satisfaction scores, measured by the Net Promoter Score and the Customer Relationship Score, did not improve, partly because basis banking services were priced in.

As for de Volksbank's social impact, at the end of 2023, the so-called climate neutral balance sheet reached its 75% target, which is actually set for year-end 2025. This is only one aspect of the bank's social identity, however. In the course of the year, there were many ways in which the brands of de Volksbank engaged with customers and other stakeholders, putting our ambition of social banking into practice. In 2023, the bank performed a study on how to deepen and shape the social profile it wants to attain. The Supervisory Board urges de Volksbank to bring about more focus regarding its social identity. It is not enough to do many things with good intentions. We have to set clearer priorities to actually make a distinctive impact on the selected issues.

The work load of the members of the Supervisory Board has steadily increased in recent years. In 2023, apart from the regular monitoring of the progress of the strategy and results, the Supervisory Board paid particular attention to de Volksbank's governance and to the initiatives to improve compliance with laws and regulations.

2023 was the first full year in which the Executive Committee (ExCo), created in May 2022, was in function. With all vacancies filled in October 2022, considerable time and effort was spent on teambuilding and optimising 'board dynamics'. Naturally, the CEO and Chief People & Organisation Officer (CPOO) are in the lead on this topic, but the Supervisory Board was also closely involved through an annual cycle, in which progress interviews were held by the Chair of the Supervisory Board and the Chair of the People & Organisation Committee with each individual ExCo member at least three times a year.

To reinforce the safeguarding of KYC-related measures within the ExCo, the function of Chief Financial Crime Officer was created as from 1 November 2023. Consequently, the position of Chief Transformation Officer, previously also responsible for the KYC domain, ceased to exist. By mutual agreement, Marjolein de Jongh resigned from her duties as CTO. Marjolein fully





mapped de Volksbank's KYC-issues and the Supervisory Board wishes to express its thanks for her efforts.

In December 2023, de Volksbank announced that CEO Martijn Gribnau and CRO Jeroen Dijst had informed the Supervisory Board not to be available for a second and third term in office respectively. Their current terms will expire at the General Meeting of Shareholders scheduled in April 2024. In the course of 2023, the Supervisory Board has already started a recruitment and selection process for these vacancies. We hope to announce the appointments of the CEO, CRO and CFO in the course of the year.

The Supervisory Board notes that filling key management positions at de Volksbank has become a very intensive and time-consuming process and is posing an increasing strategic risk going forward. These executive roles are demanding in terms of expertise and criteria imposed by the ECB, reputational risk is high and de Volksbank's future is uncertain, while remuneration is subject to restrictions. To date we have succeeded in recruiting qualified candidates but this is not a sustainable model. The current remuneration policy, put in place at the time, was not designed with a bank in mind that would be under state ownership for more than ten years. With that, over time, the difference relative to benchmarks and the market has become too great.

An important precondition for the successful implementation of our strategy is strict compliance with laws and regulations and the continuity of business operations. Necessary improvements in data quality, credit risk models, programmes to improve customer integrity and combat financial crime, and the strengthening of our IT foundation remained high on the agenda in 2023. The efforts to comply with all the existing and future laws and regulations, weigh heavily on de Volksbank, not only in terms of costs but also in terms of management and supervision.

In August 2023, DNB imposed an instruction on de Volksbank to improve its Systematic Integrity Risk Analysis (SIRA). DNB also expects de Volksbank draw up a comprehensive plan to remediate current shortcomings in identifying and assessing risks related to money laundering, terrorism financing and customer integrity. In response, de Volksbank has substantially scaled up its efforts in these areas. Submitting an improved SIRA is only the first step. The Supervisory Board will stay closely involved on this topic.

Internal credit risk models provide a better understanding of the quality of different segments of the loan portfolio compared to the use of the Standardised Approach and enable a better determination of risks and risk-weighted assets. Meeting the standards set by the supervisory authorities for the use of these models requires improvements in de Volksbank's data quality and the IT foundation. To bring about these improvements must remain a priority in the years ahead.

In February 2023, the Dutch Minister of Finance informed the House of Representatives of her intention to take a directional decision about the future ownership structure of de Volksbank. As a first step, in October 2023, the Minister shared the outcome of a preliminary analysis, concluding that a state-owned bank is not required to safeguard public interests in the financial sector. The second step consists of an analysis of which future options and/or governance models are not realistic for de Volksbank. This analysis is expected to be made public in the spring of 2024.

The Ministry of Finance has given de Volksbank the opportunity to share its insights on privatisation with its shareholder NLF. As agreed, we delivered the first part of our report on exit options to NLF in June, followed by our final report in December. A key criterion for us is a stable Volksbank, financially and operationally, that is able to maintain its social identity.

It is evident that a directional, and ultimately a final, decision on the future of de Volksbank can be made only by a next government, in consultation with NLF. In the interest of de Volksbank and all its stakeholders, we strongly urge a swift decision making process.

As de Volksbank attaches great importance to its role as a responsible employer, it monitors the main shared-value-related KPIs for employees every six months. The Supervisory Board is pleased that the most recent score for 'Genuine attention' remained high at 7.7, up slightly compared to last year. And, just as importantly, the Board would like to thank the Works Council for the constructive dialogue conducted in the regular meetings in 2023.

The 2021- 2025 strategic plan of de Volksbank is entitled 'Better for each other – from promise to impact'. The Supervisory Board wishes to express its appreciation of the tremendous engagement and commitment demonstrated by employees and management alike in putting our strategy into practice, making impact in an environment that is at times both challenging and volatile.

On behalf of the Supervisory Board of de Volksbank,

Gerard van Olphen,

Chair

## Meetings

The SB convened seven times in 2023. All regular meetings were attended by most of the members of the SB. Members of the ExCo and the Company Secretary are permanent attendees at SB meetings. For the first hour of each meeting, the SB meets in private.

### Supervisory Board attendance in 2023

| Total meetings per Supervisory Board member | SB         | AC          | R&CC        | P&OC       |
|---|------------|-------------|-------------|------------|
| Gerard van Olphen                           | 7/7        |             |             | 6/6        |
| Jeanine Helthuis                            | 7/7        |             | 4/4         | 6/6        |
| Petra van Hoeken                            | 7/7        | 4/4         | 4/4         |            |
| Aloys Kregting                              | 6/7        | 4/4         |             | 5/6        |
| Jos van Lange                               | 7/7        | 4/4         | 4/4         |            |
| <b>Total attendance</b>                     | <b>97%</b> | <b>100%</b> | <b>100%</b> | <b>94%</b> |

In 2023, topics discussed by the SB in regular meetings included, but were not limited to:

#### Execution of de Volksbank's strategic plan

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

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

#### 2023-2026 Operational Plan

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

Key themes are:

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

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

#### Cybercrime and cyber risks

Information security and the growing cyber threat remained key topics in 2023. The Audit Committee and the SB were updated on a regular basis on developments and measures taken. In this context, the control framework and IT general controls are continuously improved and tested.

#### Customer integrity

The progress on de Volksbank's customer integrity enhancement programme was discussed in the presence of the full SB. In 2023 de Volksbank was in touch with DNB on its progress on Customer Integrity. During this period de Volksbank has transparently communicated with DNB about its progress, new insights in the depth and scope of its remediation efforts and its approach to become Money Laundering and Terrorist Financing (Prevention) Act (AMLD) compliant. The information provided in this context included opinions of the three lines of defense.

#### General topics

- Evaluation and update of the Strategic Plan
- Characteristics of a social bank and diversity in the Dutch banking landscape
- Transaction monitoring and customer integrity (KYC, CDD, AML, CFT etc.)
- Reports drawn up by Audit (quarterly) and EY
- Quarterly reports on financial, non-financial and strategic risks
- Quarterly reports Supervisory Office
- Follow-up to the joint EY and Audit management letter
- Integrated Annual Report, interim financial report, related press releases and Pillar 3 and ESG reports
- Commercial developments at ASN Bank, BLG Wonen, RegioBank and SNS
- Annual review and risk analysis of the Remuneration Policy of the ExBo and SB
- Results achieved of KPI's of the ExCo and senior management
- 2024 KPIs of both the ExCo and senior management
- Discussion and update on proceedings following the nationalisation.

#### Finance and risk

- Operational Plan including risk opinion
- Monthly Business Report, Quarterly Business Report, interim and annual figures, related press releases and Pillar 3 and ESG reports
- 2023-2024 Risk Appetite Statement (RAS) and interim updates
- Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reports

- Litigation statement and non-credit risk provisioning
- 2021 and 2022 SREP decision

### Supervisory quality assurance and self-assessment

A lifelong learning (LL) programme is in place to deepen and broaden SB's knowledge. In 2023, the SB, together with the ExCo, attended LL sessions in which the following subjects were successively discussed:

- Updated Corporate Governance Code;
- Digital Operational Resilience Act;
- KPMG regarding update ECB supervision;
- Recovery & Resolution - stress testing.

The Supervisory Board and the Executive Committee assess their own functioning on an annual basis. At least every three years, this evaluation is carried out under the supervision of an external consultant lately in 2022. The Supervisory Board and the Executive Committee of de Volksbank carried out their annual self-evaluation during December 2023 and January 2024. For this self-evaluation, input was collected by means of questionnaires completed by all Supervisory Board respectively Executive Committee members. During a separate meeting in mid-January 2024, the Executive Committee reflected on the common threads with a focus on the topics Composition and Responsibilities, Interaction with the Supervisory Board and Management, culture and employee welfare. During a separate meeting at the end of January 2024, the Supervisory Board reflected on the common threads, focusing on the topics Composition and responsibilities, Information Provision and Decision-Making, Performance and Strategy and Interaction with the Executive Committee.

The self-assessment of both the Supervisory Board and the Executive Committee took place in the context of changes in the Executive Committee due to the departure of the CTO, the non-extension of the terms of the CEO and the CRO and the creation of a CFO position. The selection process has determined an important part of the agenda of the Supervisory Board. The departure of the CTO has impacted the division of duties in the Executive Committee.

The Executive Committee feels the need and urgency to ensure a quick start with team building after the arrival of the new Executive Committee members. After the onboarding of the new Executive Committee members the Supervisory Board and Executive Committee will recalibrate the interaction between the two boards.

### Employees and employee participation

In 2023 the number of requests for advice and information increased steadily. The programme Klantificeren Graag! made a significant contribution to the increase, which manages the transition towards a more customer-oriented organisation. The Works Council exercised its right to speak at the AGM of 13 April 2023 and evaluated the

implementation and impact of the agile way of working. During this meeting the Works Council also looked back on the activities it performed in the period May 2022 – April 2023.

In 2023, the Works Council, the ExCo and the Supervisory Board met on a regular basis in various combinations. The topics discussed in these meetings included:

- Future of de Volksbank N.V.
- Customer Integrity
- Social framework
- Pension
- Results of the agile working surveys
- Execution of the Strategic Plan 2021-2025
- Financial and commercial updates
- Annual report of the Works Council
- Results of the employee surveys
- Performance management
- Social impact
- Safe working environment
- Employee participation
- Absenteeism
- Long-term office housing plan

### Committees of the Supervisory Board

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

#### Composition of committees as at 31 December 2023

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

## Audit Committee

The AC advises and assists the SB in its decision making by, inter alia, reviewing the:

- (i) reliability of the financial reporting process and risk assessment of issues that can influence financial reporting;
- (ii) structure and functioning of the internal risk management system in all matters concerning accounting and tax policies and practices, and the internal control system, and relevant statutory and regulatory compliance; and
- (iii) independence and functioning of the internal and external auditors.

The AC is composed of at least three members. On 31 December 2023, the committee comprised the following members: Jos van Lange (Chair), Petra van Hoeken and Aloys Kregting. Unless the AC determines otherwise, the CEO, the CFO, the CRO, the Director of Audit and the external auditor (EY) are permanent attendees at every meeting. The AC can invite other persons to attend the meeting. The Chair of the AC, the Director of Audit and the external auditor hold a preliminary consultation prior to the meeting, unless they decide otherwise. At least once a year, an AC meeting is held at which the Director of Audit and the external auditor are present outside the presence of the ExBo.

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

The AC convened four times in 2023. At each meeting, the AC discussed the reports issued by Audit and received regular updates, either in writing or verbally from EY, the external auditor. Top risks related to both the internal control risks and financial risks were explicitly addressed. Also, the quarterly results were discussed in depth each quarter. The design, existence and operation of the internal control systems were also regularly on the agenda, with the AC paying specific attention to the improvement programmes that were put in place to strengthen internal control and to make the reporting processes more robust.

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

Specific topics discussed in the AC in 2023 included:

1. As regards the reliability of the financial reporting process:
  - Integrated Annual Report
  - Monthly and Quarterly Business Reviews, interim and annual figures, related press releases and Pillar 3 reports
  - Planned dividend distribution for 2023
  - Management reports
  - Accounting issues
  - Operational Plan

- Non-credit risk provisioning and Litigation Statement
- Periodic tax updates

2. As regards the structure and functioning of matters concerning accounting and tax policies and practices, internal control, and relevant statutory and regulatory compliance:

- Reports drawn up by Audit (quarterly) and EY
- Quarterly reports drawn up by IT
- Tax policy and updates
- Data management
- Risk Review of the Operational Plan
- Joint management letter of EY and Audit
- Audit/EY meeting on the functioning and attitude of the ExCo (tone at the top)
- Performance report audit
- 2024 Audit Plan
- Quarterly reports drawn up by the Supervisory Office

3. As regards the independence and functioning of the internal and external auditors:

- 2024 Audit charter
- Audit's performance assessment
- EY Audit plan, risk assessment and updates
- Performance assessment of the external auditor

## Risk & Compliance Committee

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

The R&CC is composed of at least three members. On 31 December 2023, the R&CC comprised the following members: Petra van Hoeken (Chair), Jeanine Helthuis and Jos van Lange. The CEO, CRO, CFO, and the Directors of Audit and Compliance have a standing invitation to attend the meetings of the R&CC. The R&CC can invite other persons to attend a meeting. In 2023, the external auditor (EY) also attended the meetings of the R&CC.

Prior to a meeting of R&CC the Committee's chairman will have a preliminary consultation with the CRO. The Chair of the SB and the Chair of the R&CC both have regular meetings with the Director of Compliance. The Rules of Procedure for the R&CC were last amended on 1 December 2022.

The R&CC convened four times in 2023. In every regular meeting, the R&CC reflected on the financial, non-financial and strategic risks subsequent to discussing the risk context and the risk management function.

Specific topics discussed in the R&CC in 2023 included:

- Quarterly reports on risk context, financial, non-financial and strategic risks
- Path to Green with respect to Reporting Risk
- 2023-2024 Risk Appetite Statement (RAS) including interim updates
- In-control statements
- Remedial action plan 2022 Supervisory Review & Evaluation Process (SREP) letter and draft 2023 SREP letter
- Quarterly reports drawn up by the Supervisory Office
- Annual Report on whistle-blowers' scheme
- Transaction monitoring and customer integrity, including S(C)IRA
- Cyber security risks
- Quarterly reports drawn up by Compliance
- Compliance Charter
- Annual plan Compliance
- Transaction monitoring and customer integrity (KYC, CDD, AML, CFT etc.)
- Periodic updates on the various loan portfolios
- Risk analysis remuneration
- Recovery Plan
- Climate Action Plan

### People & Organisation Committee

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

The P&OC is composed of at least three members.

On 31 December 2023, the committee comprised the following members: Jeanine Helthuis (Chair), Aloys Kregting and Gerard van Olphen. The P&OC can invite members of the ExCo or other persons to attend a meeting. The P&OC meets at least once a year with the R&CC in a joint meeting to discuss, inter alia, how remuneration outcomes reflect risk. The Chair has consultations with the Chair of the Works Council on a regular basis. The rules of procedure for the People & Organisation Committee were last amended on 1 December 2022. The P&OC convened six times in 2023.

Specific topics discussed in the P&OC in 2023 included:

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

- Annual review and risk analysis of the remuneration policies of the ExCo, senior management, Identified Staff and Non-Identified Staff
- Adoption of the 2024 list of Identified Staff
- Adoption of the 2023 Remuneration report for Identified Staff
- Remuneration report
- KPI assessment and achievements of ExCo and senior management
- Progress updates on KPIs for ExCo and senior management
- Proposal and realisation on KPIs for the ExCo for 2024

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

- Succession planning
- Self-assessment and lifelong learning of the ExCo and SB

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

- Updates in relation to the agile way of working
- Changes in the top management structure
- Amendments to the ExBo generic profile and Senior Executives job profiles
- Future of learning and development

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

- Results of the employee surveys
- Employer Valuation Proposition
- HR Leadership and Culture
- Diversity, Equity and Inclusion Policy
- Discussion of HR dashboard, including sickness absence, staff turnover and other indicators of the quality of the work environment
- New Way of Working Policy
- Report on the gender pay gap at de Volksbank

### Relationship and consultations with the shareholder

NL Financial Investments (NLFI) is the sole shareholder of de Volksbank. NLFI and de Volksbank signed a Memorandum of Understanding (MoU). This MoU contains agreements governing the relations between NLFI and the management board of de Volksbank. Between the SB and NLFI consultations take place periodically in accordance with an annual meeting calendar. In these meetings the Chair of the SB discusses various topics including the assessment of the ExCo and the SB. In addition, de Volksbank's AGM is prepared in consultation with NLFI.

In 2023, the AGM was held on 13 April. As the sole shareholder of de Volksbank, NLFI reports to the Minister of Finance every year by means of a progress report. This report provides an overview of the extent to which de Volksbank is implementing its strategy and assesses whether de Volksbank is ready for a future independent of the Dutch State. On 6 July 2023, the Minister of Finance informed the House of Representatives of the state of affairs based on NLFI's progress report dated June 2023. In this report NLFI stated that de Volksbank has made progress with the implementation of the strategy and achieved higher financial returns. At the same time, there are challenges that must be faced. Both NLFI and the Minister of Finance give de Volksbank time and space to realize the strategy 'Better for each other – from promise to impact'. De Volksbank is executing its strategic plan and continues to implement the strategy the upcoming years by taking the necessary steps to further strengthen the customer relationship, increase of the social impact and the growth of the four brands. This strategy contributes to the privatization position of de Volksbank.

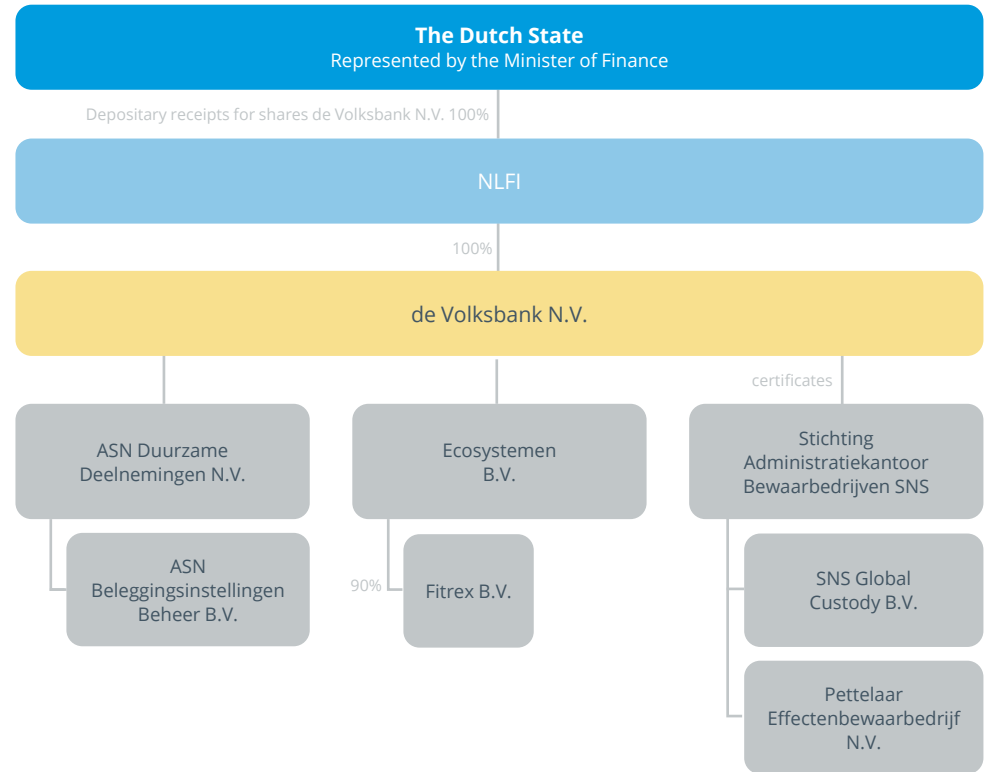
### Financial statements and dividend proposal

Prior to publication, the 2023 financial statements were discussed in meetings of the ExCo, AC and SB. On 7 March 2024, EY – de Volksbank's external auditor in 2023 - issued an unqualified auditor's report on the 2023 financial statements. On the same date the members of the Supervisory Board approved and signed the financial statements. At the AGM on 13 April 2023, NLFI agreed to de Volksbank's proposal to pay out a dividend of € 90 million to NLFI charged to the annual result of de Volksbank for 2022. The profit after dividend distribution for the 2022 financial year was added to the other reserves.

### 3.3 Legal structure of de Volksbank

*Stichting administratiekantoor beheer financiële instellingen* (NL Financial Investments; NLFI) holds 100% of the share capital of de Volksbank on behalf of the Dutch State. NLFI is a foundation with a statutory task established by the Minister of Finance and was established to exercise the shareholder rights on behalf of the Dutch State in a number of financial institutions in a business-like, non-political manner and to separate the interests in a transparent manner. The overview comprises a statement of all wholly-owned subsidiaries as at 31 December 2023.

#### Legal structure



## 3.4 Remuneration Report

### Introduction

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

De Volksbank's mission is 'banking with a human touch', which implies that we also remunerate all employees with a human touch. When establishing the Remuneration policy and actual remuneration, we take into account our stakeholders, i.e. customers, society, employees and the shareholder. We ensure equal pay in equal situations, and remuneration is not affected by, for example, gender differences or ethnic background.

The aforementioned also applies to the members of the ExCo, whose remuneration is in reasonable proportion to the salaries of our employees and the average remuneration in the Netherlands. For more details, see Pay ratios below. De Volksbank has no variable remuneration schemes.

### Remuneration policy of the Executive Committee

#### Remuneration elements

Members of the ExCo are appointed for a term of four years. Statutory members have a contract of service, and non-statutory members have an employment contract. The remuneration consists of a management fee or fixed annual income, a pension contribution and fringe benefits, such as a supplement as compensation for the loss of pension accrual over and above € 128,810 and a lease car.

#### Remuneration

Just like the salaries of de Volksbank employees and in line with the collective increase, the remuneration of the ExCo was increased by 4.5% with effect from 1 February 2023. As from that date, remuneration is as follows:

- Chair € 457,008
- Statutory members € 350,751; and
- Non-statutory members € 308,975.

The remuneration for statutory members of the ExCo as stated above is below the amount as stated in the Remuneration policy, i.e. € 374,112. Other than collective increases, it is not possible to increase the remuneration of the current members of the ExCo, as the bonus ban and salary freeze as set out in the Dutch Financial Supervision Act (Wft) is applicable to them. On the one hand, it is understandable that restrictions have been imposed in return for the State aid received, and de Volksbank

itself decided it does not want to reward its employees at the higher end of the market. On the other hand, executives the salary freeze, which has been in place for nearly 10 years now, is increasingly hampering the recruitment and retention of senior executives for de Volksbank. Whereas the demands placed on senior executives by laws and regulations have increased enormously in recent years and more and more is also expected of these executives as regards to content. However, legislation does not allow remuneration to be set at an appropriate level.

#### Remuneration benchmarking

Once every two years we benchmark the remuneration of the ExCo members with the remuneration of comparable positions in the general market. The general market consists of a combination of comparable financial and non-financial corporations. To allow for a better comparison with de Volksbank, we have decided to include more social impact organisations in this market. As the latter generally offers lower remuneration, we have witnessed a declining market remuneration. The aforementioned benchmark was last performed in September 2023, with the following results:

- the remuneration of the Chair of the ExCo is 21% below the general market median. Looking not only at the fixed remuneration, but also at the variable remuneration in the market, remuneration is 43% below the general market median.
- the remuneration of the statutory members of the ExCo is 20% below the general market median. Looking not only at the fixed remuneration, but also at the variable remuneration in the market, remuneration is 36% below the general market median.
- the remuneration of non-statutory members of the ExCo is 13% below the general market median. Looking not only at the fixed remuneration, but also at the variable remuneration in the market, remuneration is 28% below the general market median.

#### Pension

ExCo members participate in the same pension scheme as the employees of de Volksbank. They are not granted any additional pension. To compensate for the lack of pension accrual over and above the € 128,810 cap, members of the ExCo receive a gross supplement of 16.35% of their remuneration over and above that amount.

#### Other

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

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

### Performance objectives

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

As ExCo members are only entitled to a fixed remuneration, there are no unwanted incentives that could place short-term individual interests above any of the long-term collective objectives. At the end of each performance period, the Supervisory Board not only assesses the performance of the ExCo in relation to achieving its performance objectives, but also its progress on the long-term objectives.

### Performance year 2023

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

The Supervisory Board assesses the extent to which performance objectives have been achieved. They have established the realisation for 2023 as follows: Shared value/Output 75%, Risk & In control 40% and Conduct 70%. Taking into account the weighting factors, total realisation is 63%.

The following table presents the performance objectives that have been set for 2024:

### Performance year 2024

| Aspect                  | Category                                   | Weight      |
|-------------------------|--|-------------|
| Main KPIs               | Customer                                   | 25%         |
|                         | Society                                    | 25%         |
|                         | Employees                                  | 25%         |
|                         | Shareholder                                | 25%         |
|                         |  | <b>100%</b> |
| Objectives & priorities | Profitable growth                          | 20%         |
|                         | Cost control                               | 10%         |
|                         | Increase distinctive capability            | 10%         |
|                         | Improve execution power                    | 10%         |
|                         | Customer integrity                         | 15%         |
|                         | Supervisory priorities under control       | 15%         |
|                         | Modern data and IT foundation              | 10%         |
|                         | Acceleration digital customer environments | 10%         |
|                         |  | <b>100%</b> |

### Actual remuneration of the members of the Executive Committee

The table below gives a complete overview of the actual remuneration of each ExCo member.

With effect from 1 November 2023, de Volksbank created the position of Chief Financial Crime Officer (CFCO), which position to be filled in 2024. The CFCO is responsible for giving substance to our role of gatekeeper in countering financial crime. As from the same date, the position of CTO ceased to exist. Marjolein de Jongh will remain attached to de Volksbank as an adviser to the CEO and the Chair of the Supervisory Board until 1 May 2024.



## Compensation of the Executive Committee Audited

| in € thousands  | Position | Fixed annual income |              | Pension <sup>1</sup> |            | Other <sup>2</sup> |            | Severance pay |            | Total        |              |
|---|----------|---------------------|--------------|----------------------|------------|--------------------|------------|---------------|------------|--------------|--------------|
|   |          | 2023                | 2022         | 2023                 | 2022       | 2023               | 2022       | 2023          | 2022       | 2023         | 2022         |
| Martijn Gribnau   | CEO      | 455                 | 434          | 24                   | 23         | 86                 | 86         | --            | --         | 565          | 543          |
| Jeroen Dijst  | CRO      | 349                 | 333          | 24                   | 23         | 52                 | 52         | --            | --         | 425          | 408          |
| Marinka van der Meer  | CCO      | 349                 | 333          | 24                   | 23         | 57                 | 54         | --            | --         | 430          | 410          |
| André Haag <sup>3</sup>                                     | CFO      | 349                 | 140          | 24                   | 10         | 67                 | 25         | --            | --         | 440          | 175          |
| Marjolein de Jongh <sup>4</sup>                             | CTO      | 257                 | 185          | 20                   | 15         | 47                 | 30         | 129           | --         | 453          | 230          |
| Michel Ruijterman <sup>5</sup>                              | CIO      | 308                 | 185          | 24                   | 15         | 54                 | 26         | --            | --         | 386          | 226          |
| Jacqueline Touw <sup>6</sup>                                | CPOO     | 308                 | 74           | 24                   | 6          | 65                 | 16         | --            | --         | 397          | 96           |
| <b>Total Executive Committee</b>                            |          | <b>2,375</b>        | <b>1,684</b> | <b>164</b>           | <b>115</b> | <b>428</b>         | <b>289</b> | <b>129</b>    | <b>--</b>  | <b>3,096</b> | <b>2,088</b> |
| Former directors:   |          |                     |              |                      |            |                    |            |               |            |              |              |
| Marjolein de Jongh <sup>7</sup>                             |          | 51                  | --           | 4                    | --         | 10                 | --         | --            | --         | 65           | --           |
| Pieter Veuger   |          | --                  | --           | --                   | --         | --                 | --         | --            | 315        | --           | 315          |
| <b>Total current and former Executive committee members</b> |          | <b>2,426</b>        | <b>1,684</b> | <b>168</b>           | <b>115</b> | <b>438</b>         | <b>289</b> | <b>129</b>    | <b>315</b> | <b>3,161</b> | <b>2,403</b> |

1 The pension is the employer contribution minus the employee's personal pension contribution.

2 'Other' includes all remaining remuneration, including the supplement as compensation for the loss of the pension accrual in excess of € 128,810, the addition for the use of a company car and social security contributions.

3 Remuneration as from 1-8-2022

4 Remuneration as from 16-5-2022 up to 1-11-2023

5 Remuneration as from 16-5-2022

6 Remuneration as from 1-10-2022

7 Remuneration as from 1-11-2023 up to 31-12-2023

## Pay ratios

|   | 2023             | 2022 | 2021 | 2020 | 2019 |
|---|------------------|------|------|------|------|
| <b>Internal</b>   |                  |      |      |      |      |
| Ratio between the compensation of the Chairman of the ExCo and the average employee salaries at de Volksbank            | 6:1              | 6:1  | 6:1  | 6:1  | 6:1  |
| Ratio between the compensation of the Chairman of the ExCo and the median employee salaries at de Volksbank             | 6:1              | 6:1  | 7:1  | 7:1  | 7:1  |
| Ratio between the average compensation of ExCo members and the average employee salaries                                | 4:1              | 4:1  | 4:1  | 5:1  | 5:1  |
| Ratio between the compensation of the Chairman of the ExCo and the maximum of the lowest pay grade as at 31 December    | 19:1             | 20:1 | 20:1 | 20:1 | 20:1 |
| <b>External</b>   |                  |      |      |      |      |
| Ratio between the compensation of the Chairman of the ExCo and the average pay in the Netherlands according to the OECD | N/A <sup>1</sup> | 9:1  | 9:1  | 9:1  | 10:1 |
| Ratio between the average compensation of ExCo members and the average pay in the Netherlands according to the OECD     | N/A <sup>1</sup> | 7:1  | 7:1  | 7:1  | 7:1  |

<sup>1</sup> At the time of publication, the OECD figure was not yet known and no ratio for 2023 could, therefore, be presented. These figures will be included in next year's annual report.

### Pay ratios

De Volksbank aims for remuneration of the ExCo to be in reasonable proportion to the salaries of employees and the average remuneration in the Netherlands. As different laws and legislation apply, for example the Global Reporting Initiative and the Corporate Sustainability Reporting Directive, and as they contain different requirements, we report the figures above relative to both the median and the mean.

Over the past year, the remuneration of the Chair of the ExCo rose by 3.83 % and employees' median salary, excluding the Chair of the ExCo, rose by 4.84%. These ratios have been established on the basis of salary, allowances, pension and social security contributions, but without fringe benefits, such as a lease car or WIA insurance premium.

Over the past five years, the breakdown of pay ratios is as follows:

### Share ownership

Members of the ExCo do not hold any shares in de Volksbank. All shares are held by NLF1, which has issued depositary receipts for shares to the Dutch State in return.

### Loans

On 31 December 2023, there were no loans outstanding to members of the ExCo.

### Compensation of the Supervisory Board

#### Remuneration policy of the Supervisory Board

February 2022, we benchmarked the remuneration of the Supervisory Board against the general market: a combination of comparable financial and non-financial corporations. This benchmark showed that the remuneration is 30% below the general market median. Therefore, in 2023, the shareholder decided to raise the compensation of the Supervisory Board with effect from 1 January 2023, in line with the collective increases of de Volksbank employees. In addition, for the years 2023, 2024 and 2025, a catch-up indexation was agreed for the missed indexation for 2018 t/m 2022. In 2023, 2024 and 2025, the compensation will be increased by 2.6% of the amounts applicable on 31-12-2022, with effect from 1 March.

The fixed annual compensation for the members of the Supervisory Board and for the committees is provided in the table below.

### Fixed annual compensation policy for members of the Supervisory Board (no VAT applicable)

| in €  | Remuneration<br>31-12-2023 | CLA 4.5%<br>increase as<br>from 1-2-2023 | Catch-up<br>indexation as<br>from 1-3-2023 |
|---|----------------------------|--|--|
| Chairman of the Supervisory Board             | 44,000                     | 45,980                                   | 47,124                                     |
| Vice Chair of the Supervisory Board           | 35,762                     | 37,371                                   | 37,371 <sup>1</sup>                        |
| Member of the Supervisory Board               | 30,800                     | 32,186                                   | 32,987                                     |
| Chairman Audit Committee                      | 7,000                      | 7,315                                    | 7,497                                      |
| Member Audit Committee                        | 4,900                      | 5,121                                    | 5,248                                      |
| Chairman People and<br>Organisation Committee | 7,000                      | 7,315                                    | 7,497                                      |
| Member People and<br>Organisation Committee   | 4,900                      | 5,121                                    | 5,248                                      |
| Chairman Risk and Compliance Committee        | 7,000                      | 7,315                                    | 7,497                                      |
| Member Risk and Compliance Committee          | 4,900                      | 5,121                                    | 5,248                                      |

<sup>1</sup> The position of Vice-chair is a new role for which no catch-up indexation is applicable.

### Actual remuneration of the members of the Supervisory Board

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

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

| in € thousands             | As a member of the<br>Supervisory Board <sup>1</sup> |            | As a member of<br>a committee <sup>2</sup> |           | Total      |            |
|----------------------------|--|------------|--|-----------|------------|------------|
|                            | 2023   | 2022       | 2023                                       | 2022      | 2023       | 2022       |
| Gerard van Olphen (Chair)  | 47   | 44         | 5  | 5         | 52         | 49         |
| Jos van Lange (Vice Chair) | 37   | 31         | 13   | 12        | 50         | 43         |
| Jeanine Helthuis           | 33   | 31         | 13   | 12        | 46         | 43         |
| Petra van Hoeken           | 33   | 31         | 13   | 12        | 46         | 43         |
| Aloys Kregting             | 33   | 31         | 10   | 10        | 43         | 41         |
| <b>Total</b>               | <b>183</b>   | <b>168</b> | <b>54</b>                                  | <b>51</b> | <b>237</b> | <b>219</b> |

<sup>1</sup> Fixed annual compensation for the membership/chairmanship of the Supervisory Board.

<sup>2</sup> Annual compensation for one or more committees.

### Share ownership

Members of the Supervisory Board do not hold any shares in de Volksbank. All shares are held by NLF1, which has issued depositary receipts for shares to the Dutch State in return.

### Loans

On 31 December 2023, there were no loans outstanding to members of the Supervisory Board.

### Supervision on remuneration

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

### Supervisory Board

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

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

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

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

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

#### ExCo

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

In exceptional situations and on good grounds, the ExCo has the discretionary power, in so far as it does not relate to the members of the ExCo itself, to deviate from the adopted Remuneration policy, to the extent that laws and regulations permit. Deviations over and above the collective labour agreement, will be submitted in advance to the Supervisory Board for approval.

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

#### Control and staff departments

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

### 3.5 Codes Banking code

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

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

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

De Volksbank complies with the principles of the Banking Code. For more detailed information on how de Volksbank applies the this Code, please refer to the overview on our [website](#). This overview is regularly updated as compliance with this code is a dynamic process due to ongoing new developments.

#### Dutch Corporate Governance Code

The revised Dutch Corporate Governance Code 2022 (DCGC), as drawn up by the Dutch Corporate Governance Code Monitoring Committee, was published on 20 December 2022. The code contains principles and best practice provisions that focus on promoting good governance at Dutch listed companies. Like the Banking Code, compliance with the DCGC is subject to the 'comply or explain' principle pursuant to which listed companies are obliged to state the extent to which they apply the DCGC.

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

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



Risk management

## 4. Risk management

### Introduction

It is important for de Volksbank to manage risks across the various domains. This chapter covers our approach to managing these different types of risks.

### In this chapter:

#### [4.1 Risk management structure](#)

#### [4.2 Strategic risks](#)

#### [4.3 Operational risks](#)

#### [4.4 Credit risk](#)

#### [4.5 Market risk](#)

#### [4.6 Liquidity and funding strategy](#)

#### [4.7 Credit ratings](#)

#### [4.8 Capital management](#)

#### [4.9 Sustainability risk](#)

#### [4.10 Management statement](#)

### Reader's guide

#### IFRS 7 and Pillar 3

To combine disclosures where possible and to reduce duplication, we have integrated the IAS 1 and IFRS 7 information on capital management and financial instruments-related risks in this chapter. The information is part of the audited financial statement only if this is explicitly stated in the relevant text or by means of the label 'Audited'.

In addition, our Pillar 3 Report for 2023 is available on the website [www.devolsbank.nl](http://www.devolsbank.nl). This report contains additional information about de Volksbank's risks, risk management and capital adequacy of the bank. Although we are required to provide this information under the CRD IV and CRR, this information is not part of the audit performed by the external auditor.

### 4.1.1 Risk management elements

De Volksbank is a retail bank with sustainable business operations that provides services to private individuals, self-employed persons and small businesses in the Netherlands. We engage in activities that create benefits for customers, take responsibility for society, provide meaning for employees and achieve stable returns for the shareholder over a long-term horizon.

#### Risk appetite statement

Our risk management recognises developments that might impede that mission and identifies initiatives that fit in with de Volksbank's objectives. This results in the following overall risk appetite statement (RAS) for de Volksbank:

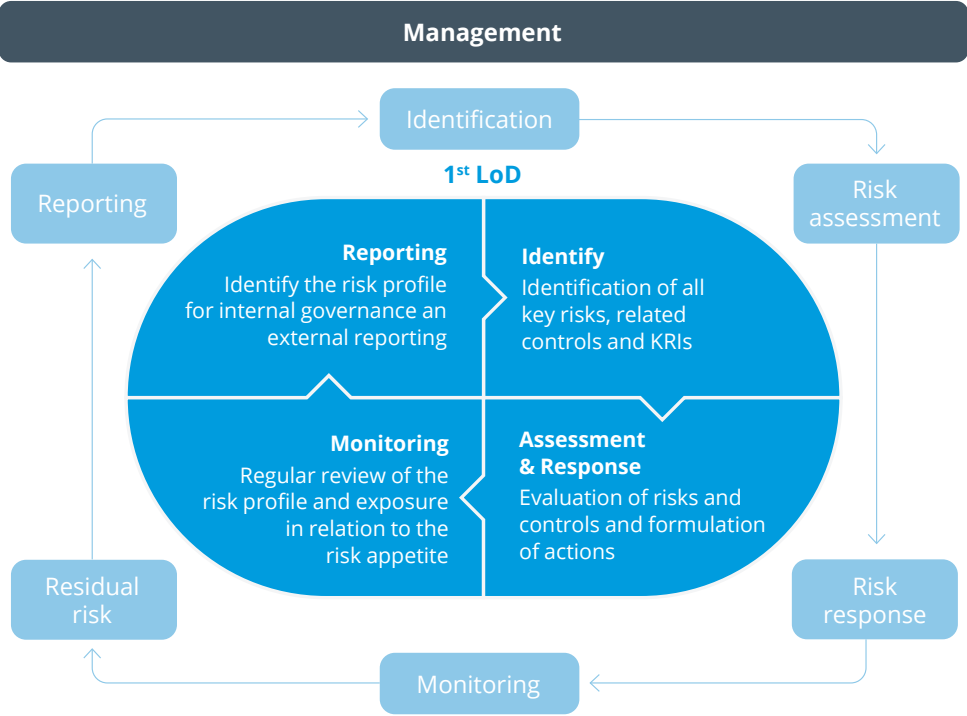
*The overall risk appetite statement supports our strategy to be a bank with the strongest customer relationship in the Netherlands and to have a substantial and measurable positive impact on society. To reduce the concentration risk that is inherent to our current business model, well-diversified sources of revenue are an important objective of our strategy.*

*We have moderate risk appetite with respect to financial risks, implying a limited degree of net risk with a sufficient risk premium. We aim to minimise non-financial risks at a reasonable cost, while respecting regulatory requirements.*

#### Risk management framework

To manage risks, de Volksbank applies the COSO<sup>1</sup> Enterprise Risk Management (ERM) Framework. To properly apply all COSO ERM elements, we have set up a Risk Management Cycle (RMC) which serves as a generic tool for both the first line and the second line of defence. The RMC ensures consistent terminology and provides a compatible methodology for the identification, assessment, measurement, monitoring, management and reporting of all risks.

<sup>1</sup> COSO: The Committee of Sponsoring Organizations of the Treadway Commission, [www.coso.org](http://www.coso.org)



**Risk governance**

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

As the ExCo takes ultimate responsibility for risk management within the organisation, it therefore functions as an overarching bank risk committee, and as such is supported

by risk committees composed of representatives from the first line and second line in each committee.

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

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

To emphasise the importance of the customer integrity topic, we have set up the Client Integrity Risk Committee in 2023.

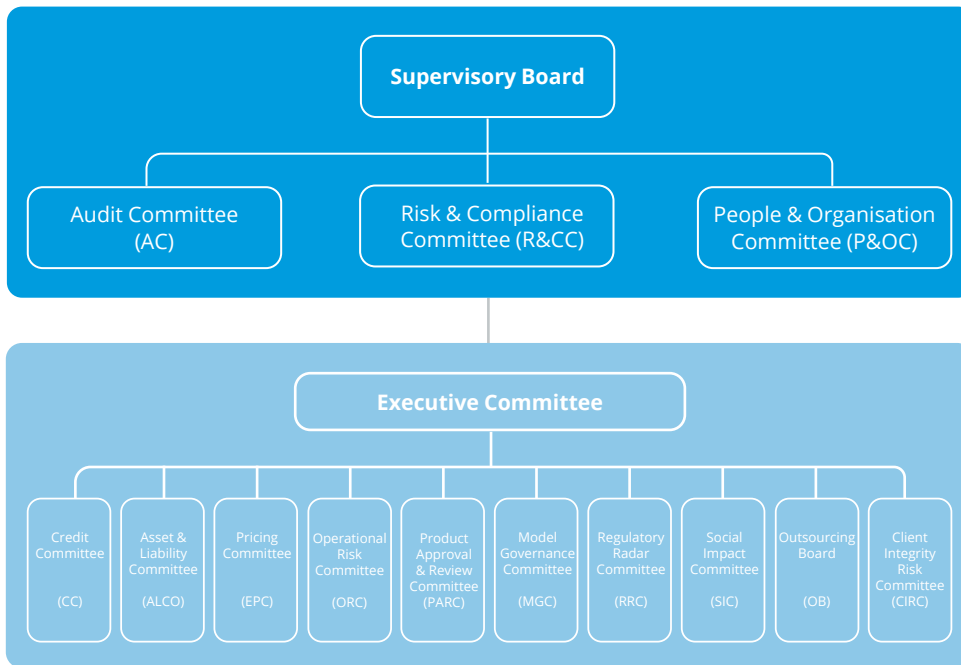
**Risk ownership**

In 2023, de Volksbank took a further step in the demarcation of the first line and the second line. Each risk subtype within de Volksbank's risk taxonomy was designated a first-line Risk Type Owner (RTO). An RTO is a member of de Volksbank leadership team who takes on bank-wide tasks to formulate first-line policy for the control of that particular risk sub type and to monitor the implementation. The RTOs, who are the central coordination points within the first line, also advise and facilitate the organisation with regard to the management of the risk subtypes.

Along similar lines, members of the ExCo are accountable for one or more risk sub types. They identify, monitor and highlight developments in the exposures of the respective risk sub types including the actual exposure against the risk appetite and the risk management effectiveness of the risk subtypes.

The accountable ExCo member does not have a specific authority to decide on behalf of the ExCo, as the ExCo holds a collective responsibility for risk management decision-making. The accountable ExCo member is supported in this specific task by other ExCo members who manage exposures on, or aspects of, that risk sub type in their own domains.

**Risk governance**



**Risk awareness and culture**

**Risk culture**

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

A sound risk culture supports recognises and acknowledges relevant risks in line with the bank's vision, risk appetite, customer needs, all within applicable legal frameworks. It shapes managements and employees' day-to-day decisions and fosters an atmosphere of open communication and challenge, which is a prerequisite for

effective risk management and risk awareness. We aim for the envisaged risk culture to be endorsed by the entire organisation. This starts by using de Volksbank's Enterprise Risk Management (ERM) policy to describe our overall risk management governance. In 2023, this document was updated based on the enhanced risk culture strategy.

Furthermore, the Compliance function develops and executes an integrity awareness plan for all employees on an annual basis. This plan not only includes ongoing training and communication initiatives such as workshops, e-learning courses, intranet publications, but also thematic initiatives such as sharing dilemmas during Integrity Week or the publication of decisions made by the Ethical Board. It also addresses the continuous management of integrity.

We annually conduct employee surveys on integrity in the organisation (IO survey), in which we measure perceived integrity and the risk culture within de Volksbank. As of 2023, the IO survey included the main elements from de Volksbank risk culture model and EBA requirements.

The way de Volksbank manages its conduct in relation to integrity risks was described in multiple policy documents. To gain a better overview of conduct-related integrity risks that support enhanced risk management of these risks across the three lines, we have created a risk policy Conduct risk .

As far as leadership and senior management are concerned, we launched a new leadership & culture programme in the second quarter of 2023 for all members of the ExCo and de Volksbank Leadership Team. This programme promotes the desired leadership behaviour and enhances risk awareness. The objective of the programme is that, by the end of 2025, all leads within de Volksbank exhibit the envisaged leadership behaviour so that they exemplify a culture in which de Volksbank works in a collaborative, risk-aware, directional and results-oriented way to realise its mission and strategy.

**Risk awareness**

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

Risk awareness is the raising of understanding among employees of what risks and risk guidelines exist, what impact they can have and how to deal with them. To continue to raise risk awareness and help employees identify, assess and respond better and more consciously to (potential) risks, we provide training courses,



workshops and e-learning programmes. We also share risk awareness-related success stories and lessons learned with our employees.

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

**Internal code of conduct**

We expect our employees to show ethical behaviour. In doing so, they are guided by our code of conduct entitled ‘Common Sense, Clear Conscience’, which focuses on moral dilemmas and how to deal with them. A well-spread network of confidants offers staff the opportunity to raise concerns about malpractices. The results of the 2023 employee surveys on integrity in the organisation show that employees experience an improvement in certain areas of the risk culture, mainly in commitment (94%), transparency (83%) and consequence management (83%). In addition to this, they show that employees are familiar - and agree - with the contents of the code (93%) and are motivated to comply with the code. They also feel that that management observes and acts in accordance with the code.

**Remuneration policy**

De Volksbank pursues a remuneration policy that is based on our Manifesto, and the strategy to build strong customer relationships and increase our social impact. De Volksbank does not grant any variable remuneration to discourage employees from taking undesirable risks that may give priority to short-term individual interests over long-term collective objectives. For more detailed information on our remuneration policy, see Section 3.4 Remuneration report in the IAR 2023.

**Top risks resulting from external developments**

| Event  | Description of risk and impact   | Measures   |
|--|--|--|
| <p>Volatile and inverted yield curve</p>     | <p>There is a risk that high interest rate volatility results in dependence on the interest income from movements in money market rates and actions from peers. As a result, the stability of the net interest margin may decrease and a main source of profit may, therefore, depend on external factors.</p> | <ul style="list-style-type: none"> <li>• Strategic forecasts and stress testing provide insight into the impact.</li> <li>• We have taken measures to limit excess liquidity and to reduce the dependence on net interest income.</li> <li>• We monitor developments in the macroeconomic environment to anticipate trends that might affect our interest rate profile, and to adapt this in our commercial and pricing strategy.</li> <li>• We use both linear and non-linear instruments to hedge the interest rate exposure.</li> </ul> |
| <p>Regulatory requirements and intensity</p> | <p>There is a risk that required implementation of new laws and regulations place a prolonged high demand on the organisation and that we fail to comply with existing regulatory requirements. This could ultimately result in high costs, sanctions or in delays in the execution of the strategy.</p>       | <ul style="list-style-type: none"> <li>• We have included the supervisory agenda in the top 5 priorities of the bank and made a complete inventory of all our outstanding actions.</li> <li>• We have incorporated additional implementation budget in our strategic plan.</li> </ul>  |

**Risk profile**

De Volksbank focuses primarily on private individuals, self-employed persons and small businesses in the Netherlands. We offer a limited but relevant range of products and services, i.e. mortgages, payments, savings, small business financing, retail investments and insurances. We accept the risk profile appropriate to a business model with such low net risk activities, a limited product range and geographical diversification, while aiming for a sufficient risk premium in return. We run risks in our business operations, have identified these risks and continuously strive to take timely and adequate control measures.

**4.1.2 Top risks**

De Volksbank carries out regulated and supervised activities that may be impacted by external and internal developments. These developments and related risks may prevent us from achieving our strategic objectives. For more details on our strategic objectives, see Section 1.1 Our strategy in the IAR 2023. To anticipate these developments and related risks, de Volksbank annually carries out a Strategic Risk Assessment (SRA), which identifies and assesses the top risks in relation to its strategy.

We assess these top risks and will adjust the risk taxonomy if necessary. We then take measures to align our strategy and risk appetite to the potential impact of any such top risks. Below is an overview of our top risks resulting from external and internal developments in 2023 in which any mitigating effects have been incorporated.

**Top risks resulting from external developments (continued)**

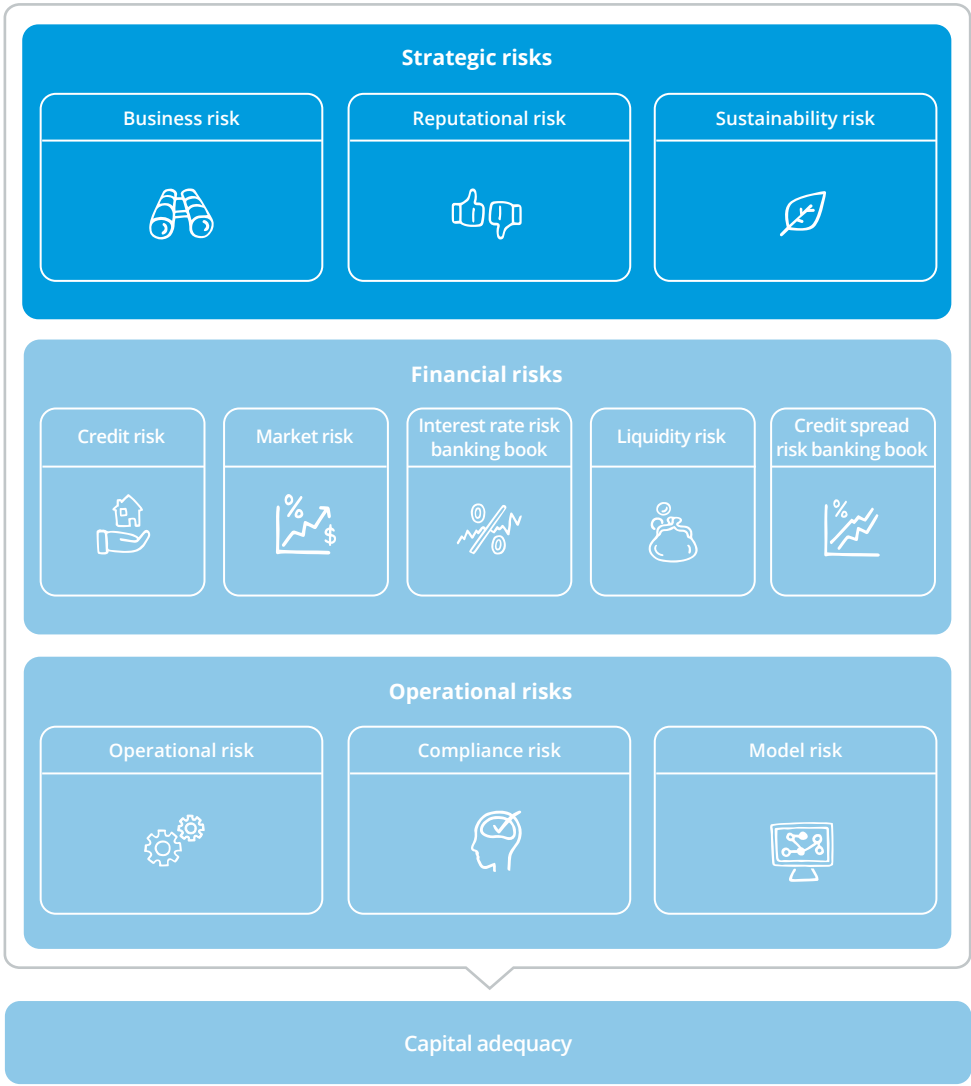
| Event   | Description of risk and impact  | Measures  |
|---|---|---|
| Inadequate IT systems, cybercrime and criminal threats                | There is a risk that our IT systems are unable to adequately keep up with market and supervisory developments, or that we are unable to adapt quickly and adequately enough to cybercrime and other criminal threats. As a result, agility and innovative strength may fall behind and prevent strategic priorities from being realised. Infractions might affect the availability of our systems as well as of our customers' and our own data or funds. | <ul style="list-style-type: none"> <li>De Volksbank has a cyber security organisation in place, for which we are currently executing an improvement plan. We ultimately strive for a set of well-designed and robust IT systems.</li> </ul>   |
| Scarce competences, permanent employability and vitality of employees | There is a risk that a tight labour market may prevent us from attracting and retaining qualified employees, especially in the field of IT, data analytics, compliance and risk. Prolonged high work pressure due to understaffing might affect employees' vitality. This could cause our performance and change capacity to fall short of our objectives.  | <ul style="list-style-type: none"> <li>We strive to be an attractive employer for both existing and new employees. To improve our employees' vitality and employability, while at the same time reducing absenteeism, we invest in employee vitality and encourage them to work on their personal development and to embrace lifelong learning. In addition to this, we address leadership and corporate culture issues. For more information, see Section 2.3.4 <i>Genuine attention for employees</i> in the IAR 2023.</li> </ul> |

**Top risks resulting from internal developments**

| Event  | Description of risk and impact  | Measures  |
|--|---|---|
| Inadequate governance and leadership for strategic execution                                 | There is a risk that de Volksbank, or parts of the bank, does not adequately execute strategic initiatives. This might result in strategic objectives and benefits not being achieved (on time) or being gained at higher costs, in the agility and effectiveness of the organisation being inadequate, or in decreasing employee engagement. | <ul style="list-style-type: none"> <li>We launched a leadership and culture programme in which the focus is shifting towards exemplary conduct by senior management, team complementarity and constructive conflict management. To follow up on changes that were brought about, we organise a quarterly bank-wide event.</li> </ul>  |
| Inadequate data management and poor data quality   | There is a risk that data management is unable to adequately keep up with market and supervisory developments, or that (customer) data is not reliable or easily accessible. As a result, agility and innovative strength could fall short of expectations or our goals, and strategic objectives may not be achieved.                        | <ul style="list-style-type: none"> <li>Data management and data quality improvement is an important part of our strategic plan. We have taken an important step by launching a strategic programme to set up a robust data processing infrastructure for our reporting processes. We are also implementing a programme to improve control over critical data elements.</li> </ul> |
| Insufficient or non-demonstrable compliance with customer integrity and sanctions regulation | There is a risk that the bank does not meet relevant regulatory requirements due to the magnitude of the requirements and insufficient resources. This might ultimately result in high costs and sanctions.   | <ul style="list-style-type: none"> <li>We have launched an extensive remediation programme, comprising dedicated taskforces and insourcing of extra staff. We cooperate closely with the supervisory authorities on our plans and results.</li> </ul>   |

4.1.3 Risk appetite and risk indicators

Risk taxonomy



All risks that may have a material impact on our risk profile and the strategic goals are included in de Volksbank's risk taxonomy in which we have clustered the main types of risk, i.e. strategic risks, financial risks and operational risks. When the results of the SRA lead to a new material risk, this risk will be included in the taxonomy. As from the end of 2023, the taxonomy includes a new risk type to comply with regulatory expectations: Credit Spread Risk in the Banking Book. This is a carve-out of the existing risk type Interest Rate Risk in the Banking Book.

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

We follow up on the developments of the risks and the levels of the risk indicators in particular. Each quarter, the second line produces a risk report comprising all the risks in our risk taxonomy. To illustrate the risk profile per risk type, this report contains the actual level of the risk indicators and a general description of the risk type's exposure. The report summarises the actual risk profile by measuring it against the formulated risk appetite, thus producing an overall risk score, which is reflected in a green, yellow, orange or red box, depending on the score. A forecast for the risk score for the next quarter is also included in the report.





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

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

The tables on the next pages present de Volksbank's risk appetite and shows how our current risk profile scores in relation to our risk appetite. Every quarter, the scores are reported to the risk committee that monitors and controls the relevant risk. The different risk types are defined and discussed in more detail in the remainder of the Risk Management section of this Integrated Annual Report.

Please note that the reaction to the drivers of Sustainability Risk is being integrated in the risk management of the other risk types, when affected by them.




Legend of score relative to risk appetite

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




**Risk appetite statement - Strategic risks**

|                            | Description   | Score   | Note to the score  |
|----------------------------|---|---|--|
| <b>Business risk</b>       | De Volksbank aims to generate stable and adequate returns for its shareholder to ensure the viability and sustainability of its business model for its stakeholders.  |  | Business Risk is in the green zone, although highly dependent on external conditions. The margins on mortgages are under pressure and margins on savings rates are expected to decrease due to (delayed) passing on of the increased (but currently stable) ECB rate.    |
| <b>Reputational risk</b>   | Reputational risk is inherent to (financial) organisations. De Volksbank aims to optimise its risk position in accordance with our shared values. De Volksbank's appetite for reputational risk is to accept a low level of negative reputational impact resulting from internal and external events. Any events that may endanger our reputation are assessed and followed up in a pro-active and adequate manner in order to minimise the risks involved. |  | Overall risk profile for reputational risk is within risk appetite. Events where potential reputational impact was foreseen have not resulted in a deteriorated level of reputational risk.  |
| <b>Sustainability risk</b> | De Volksbank aims to make a positive contribution to a sustainable and fair society with our core activities – mortgages, savings, payments and investments. As such, we aim to minimise (the financing of) activities that create negative impact on society or the environment and to limit (the financing of) activities that are sensitive to the impact of ESG events. Therefore, we have a low appetite for sustainability risk.                      |  | We expect the number of suitable sustainable projects in the pipeline to decrease due to increased interest rates and costs. A lack of capacity and expertise within the first and second line endangers timely implementation of ESG regulation and internal ambitions. |


## Risk appetite statement - Financial risks

|   | Description  | Score   | Note to the score   |
|---|--|---|---|
| <b>Credit risk</b>                            | De Volksbank is primarily a retail bank that provides loans to private individuals, self-employed persons and small businesses in the Netherlands. In addition, we finance activities that are related to the sustainable energy sector, such as wind- and solar power production. It is our responsibility to help our customers to become and remain financially resilient. As such, we will only engage in low-risk lending activities that result in a high and stable number of financially resilient customers. We ensure that our strategic focus does not result in undesired concentration risks and/or sustainability risks and, therefore, our credit risk appetite is low to medium. |  | The overall portfolio quality, the portfolio performance over the past year and the stable outlook warrant a green score.   |
| <b>Market risk</b>                            | As de Volksbank has a low appetite for market risk, the trading book exposure to potentially adverse impact of movements in market variables should remain limited.  |  | Market risk stems from trading book activities. Trading book exposures remained limited. No portfolio threshold breaches have occurred.   |
| <b>Interest rate risk in the banking book</b> | De Volksbank aims to protect and stabilise its net interest income, economic value and capital from the potentially adverse impact of interest rate fluctuations.  |  | IRRBB metrics are within appetite, but great uncertainty with regard to the magnitude and timing of ECB rate cuts is reason for concern. The macroeconomic forecasts vary considerably. We expect a further decline in interest rates, which would require adjustments in the hedging strategy. |
| <b>Credit spread risk in the banking book</b> | De Volksbank aims to protect and stabilise its net interest income, economic value and capital from the potentially adverse impact of credit spreads movements.  |  | The CSRBB framework has been fully implemented and approved. We have chosen to rely on the existing Credit Spread Risk Fair Value metrics and limits until further guidance from EBA has been provided.   |
| <b>Liquidity risk</b>                         | De Volksbank aims to maintain an adequate liquidity and funding position, taking into account the different types of liquidity risk. To ensure this, our appetite for liquidity risk is low.   |  | De Volksbank's current and forecasted liquidity position is adequate, but there is some concern about the LtD ratio staying below the risk appetite threshold.  |

**Risk appetite statement - Operational risks**

|                         | Description  | Score   | Note to the score  |
|-------------------------|--|---|--|
| <b>Operational risk</b> | De Volksbank's appetite for operational risk is to accept a low level of reputational damage, negative impact from reporting issues and losses resulting from operational risk events.   |  | Operational risk is not within our risk appetite and multiple improvement plans are currently being executed to address this. These improvement plans are monitored by the Risk Management function.                                   |
| <b>Compliance risk</b>  | De Volksbank accepts a low level of reputational damage, negative impact from reporting issues and losses resulting from compliance risk. In addition, we accept no risks ensuing from non-compliance with sanctions-related legislation.  |  | Compliance risk is amber and outside our risk appetite. Risks underlying compliance risk are AML risk, sanctions risk and privacy risk. Multiple improvement plans are currently being executed.                                       |
| <b>Model risk</b>       | De Volksbank's risk appetite for model risk is low. The bank strives to build models that are intuitive and easy to understand. We optimise the quality of model development and use, while simultaneously weighing the resources required to improve this quality. We aim for complete compliance with the model governance and therefore accept only a limited number of models without timely validation. The remaining model risk is mitigated by allocating capital reserves to model risk. |  | For 2024, we expect model risk to be at a higher level due to remediation activities with respect to IRB and IFRS credit risk models. We project the model risk for credit risk models to improve to normal levels at the end of 2024. |

**Risk appetite statement - Capital adequacy**

|                         | Description   | Score   | Note to the score   |
|-------------------------|---|---|---|
| <b>Capital adequacy</b> | De Volksbank targets a solid and well-diversified capital position that supports its strategy and suits its risk profile. We also aim to operate well above the minimum regulatory capital ratios and to safeguard its retail customers and suppliers from bail-in in the case of resolution. |  | De Volksbank's current and projected capital position is adequate. The ratios will fall due to strategic decisions on using the available capital more efficiently, but will remain above the thresholds. |

**Stress testing**

In addition to monitoring our risk indicator-based risk appetite, we use stress tests to gain insight into the sensitivity to changes in the underlying causes and the interrelationship of risks. Several times a year, we calculate a severe yet plausible macroeconomic scenario to determine its effects on aspects such as our profitability, capital and liquidity position. We also performed a climate stress tests to gain insight in the impact of climate change, both resulting from physical and transitional climate risk drivers. We execute different types of stress tests to reveal any potential vulnerabilities.

For the use of stress tests in relation to credit risk, market risk, liquidity risk and capital adequacy, refer to sections [4.4.2 Credit risk - Management and control](#), [4.5.2 Market risk - Management and control](#), [4.6.2 Liquidity risk management and funding strategy - Management and control](#), [4.8.2 Capital management - Management and control](#). For more information on the continued development of climate stress testing, see Section [4.9.3 Sustainability risk - Areas of focus and activities](#) in the IAR 2023.

## 4.2 Strategic risks

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

### Strategic risks



Business risk

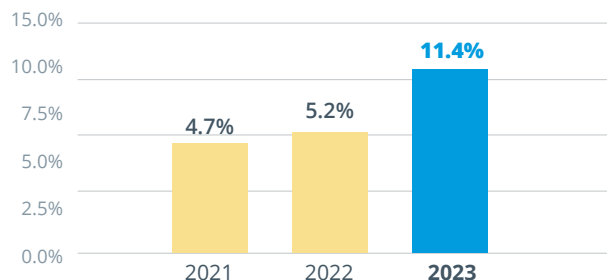


Sustainability risk



Reputational risk

### Return on Equity



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

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

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

In this section we first describe the various risk types and related developments in 2023 below. At the end of this section the ESG Risk Assessment of strategic risks are summarised.

### 4.2.1 Business risk

Business risk is defined as the risk that the profitability of de Volksbank deviates from limits that may negatively impact the viability of the bank's business model and sustainability of the bank's strategy. Business risk sub types are:

- Business model risk, which is defined as the risk that the profitability of de Volksbank deviates from limits that may have a negative impact on the viability of the bank's business model and sustainability of the bank's strategy.
- Transformation risk, which is defined as the incapability to (rapidly) transform the business in response to changes in the market such as the entry of new competitors, the development of new industry-changing technologies, regulatory requirements or shifts in overall market conditions that may negatively impact the viability and sustainability of the bank's business model.

### Developments in 2023

#### Business model risk

Net interest income in 2023 has risen significantly compared to 2022 due to a more favourable interest rate environment. While the first half of 2022 was still marked by negative interest rates and their impact on our business model, 2023 benefited from the drastic increase in external interest rates over the past 18 months. This mainly resulted in higher margins on deposits. For the coming year we expect margins on deposits - and the corresponding net interest income - to be at a lower level than 2023.

In line with our ambition to further diversify income, gross and net fee and commission income continued to grow in 2023. We benefited from a full year of fee income related to the basic banking package introduced in 2022.

Despite fierce competition, we managed to grow our active multi-customer base in 2023. This strengthened the basis for future earnings.

Even though the mortgage market declined, and the savings market grew in 2023, we managed to reduce excess liquidity and improve our loan-to-deposit ratio, which makes us less sensitive to future changes in short-term interest rates. For the coming year, we will continue our efforts to optimise our balance sheet.

Total operating expenses increased in 2023 because of additional investments in the customer integrity framework, banking regulations and our IT foundation, supporting our objective to become a more robust and resilient organisation. For the year ahead, we will focus on running the organisation more efficiently to ensure that we can continue to invest in our strategic initiatives.

In 2023 we explored additional measures to reduce the (future) volume of interest-only mortgages and the extent of the credit risk of interest-only mortgages. These measures will impact future loan volume developments. The loan loss provision for residential mortgages increased as a result of the introduction of a management overlay to cover the higher credit risk of interest-only mortgages. The exploration of

additional de-risking measures involves several legal and compliance aspects, which are taken care of by the relevant departments.

De Volksbank has drawn up an Operational Plan for the 2024-2027 period. This plan sets mission-driven objectives for growth and improvement and includes efficient capital management, also on product level, by providing profitable loans to meet de Volksbank's strategy objectives. It also provides a path with actions leading towards achieving our financial objectives. For more information about ongoing and future actions refer to Chapter 1 [Strategy and performance](#) in the IAR 2023.

#### Transformation risk

De Volksbank made clear progress per strategic theme since the start of the strategy in 2021. De Volksbank and its brands stand out in the field of customer relations. For example, our brands RegioBank, SNS and ASN Bank are the number 1, 2 and 3 most customer-friendly banks in the Netherlands and the brands scored well on customer satisfaction with current accounts. We also made good progress with regard to social impact, such as defining the social impact-related strategies for our brands. This is recognised by high scores in rankings such as those of Sustainalytics and the Fair Bank Guide. De Volksbank brands have shown positive developments on important KPIs such as active multi-customers, gross fee per customer and financial result. Necessary transformations have yielded a number of important successes, such as establishing a new organisational structure and going live with a new App and the personal online environment for retail customers.

However, due to internal and external challenges, the primary focus in both 2022 and 2023 was on strengthening operational robustness. This has had consequences for the realisation of the strategic goals. In the past two and a half years, capacity and money have been allocated to solve customer integrity issues and to catch up on the legislative, regulatory and IT backlogs to strengthen operational robustness. This has slowed down the progress in, for example, IT-based customer bank and digital & omnichannel dialogue transformations and it has had a negative effect on the commercial side, such as developing a relevant product range.

#### 4.2.2 Reputational risk

Reputational risk is the risk that can negatively impact the reputation of de Volksbank due to public attention and stakeholder opinion, including customers, employees, society, counterparties, shareholders and supervisors. This may be caused by internal and/or external events and/or developments, which may subsequently lead to loss of stakeholder support and motivation and a direct or indirect financial loss. Reputational risks may be related to our own conduct in events that are subject to the public's attention, but also to policy decisions, our day-to-day actions and issues regarding products, or the actions of individual employees. In addition, external developments

may also affect reputational risk as they may change stakeholder expectations of de Volksbank.

De Volksbank measures reputation scores on a quarterly basis. They are conducted by RepTrak Company, the leading global reputation research company, not only for de Volksbank, but also for its four brands i.e. SNS, ASN Bank, RegioBank and BLG Wonen.

#### Developments in 2023

In 2023 de Volksbank's reputation scores continues to rise to the highest point in three years, ending the year with a strong reputation scores for both de Volksbank as its brands. De Volksbank especially outperforms on relevant reputational drivers such as conduct, products and services and citizenship. Apart from overall strong reputation scores, de Volksbank holds the top position in the Dutch banking industry specifically with regard to ESG themes. In the most recent survey of the Fair Bank Guide de Volksbank came out on top, with a score of nine out of ten on seven ESG themes.

The two main pillars of our strategy, i.e. strengthening the relationship with our customers and having a positive and measurable impact on society, were and will continue to be key in maintaining the good reputation of de Volksbank and its brands. Although many activities of de Volksbank and its brands continue to support de Volksbank's reputation, such as solid financial results, which creates confidence in performance, other developments, such as inflation, continuous low interest rates on savings and rising costs for banking services did affect the relationship with some of our customers. This was reflected in the developments of our Net Promotor Score and Customer Relationship Score, which did not rise on average in 2023.

Over the past year, de Volksbank has had both positive and negative attention. The bank and its brands once again stood out and won several awards; they hold the number 1, 2 and 3 positions in the most customer-friendly bank election, and our bank brands scored places 1, 2 and 4 in the Dutch Bank monitor, an award granted on behalf of Dutch consumers. De Volksbank also presented solid financial results. On the other hand, the instruction by the central bank of the Netherlands (DNB) on shortcomings in Systematic Integrity Risk Analysis briefly led to negative media attention.

Following the fall of the Dutch cabinet, the directional decision on the future of de Volksbank was declared non-controversial, however it is expected to be postponed to a later date.

None of the aforementioned issues did result in measured negative impact on the reputation scores of de Volksbank and its brands in 2023.



Nevertheless, the speed and impact of digital and social media continue to make consistent monitoring and adequate responses to reputational risks necessary. De Volksbank actively monitors and mitigates current and upcoming internal and external events that may result in reputational damage for the bank and its brands. The Corporate Communications department actively manages issues at sector and bank level. In addition, de Volksbank's Crisis Communication Plan (CCP) includes (press) policies, communication strategies and key messages for various crisis communication scenarios. The CCP is tested and updated annually.

### 4.2.3 Sustainability risk

Sustainability risk is the risk of financial and/or reputational damage as a result of Environmental, Social and Governance (ESG) developments.

Developments related to sustainability risk are elaborated on in Section [4.9 Sustainability risk](#).

### 4.2.4 ESG Risk Assessment

In 2023, de Volksbank conducted an ESG Risk Assessment, for more information on the process and methodology of this assessment, see Section [4.9 Sustainability risk](#). The results of strategic risks from this ESG assessment are summarised below.

#### ESG Risk Assessment - strategic risks<sup>1</sup>

| Risk type         | ESG risk type |        |            |
|-------------------|---------------|--------|------------|
|                   | Environmental | Social | Governance |
| Business risk     | -             | -      | √          |
| Reputational risk | -             | -      | √          |

<sup>1</sup> √ refers to risk types for which the impact of ESG risk drivers was assessed as potentially material in the short, medium and/or long term.

#### Business risk - Governance

For business risk, the overall gross exposure relating to governance risks has been assessed as material for the long term. Due to the strict sustainability (investment) policy of de Volksbank, the investment possibilities are limited. This may result in decreasing investment income and thus hampering the financial results in the long run.

For the short and medium term, the impact of business risk is limited. Increasingly higher sustainability expectations may eventually increase the impact of this risk. We will monitor developments and periodically assess whether mitigating measures are needed.

#### Reputational risk

Reputational risk may arise from failures in other risk areas, such as compliance risk and people risk. If such a risk is assessed as material, mitigation measures are explained under the related risk type.

### 4.3 Operational risks

Operational risk is the risk of direct or indirect losses from inadequate or failed internal processes and (IT) systems, human failures and errors or of external events, which may result in a weaker financial position and/or in reputational damage. This may have a substantial impact and therefore, we continually measure the results of process and system controls to further improve them.



De Volksbank is exposed to operational risks caused by internal and external factors and developments. For a description of these developments, see Section 4.1.2 [Top risks](#). In an ever-changing world and due to increasing regulatory requirements, operational risks and their impact on the organisation have become a material factor.

De Volksbank also conducted an ESG Risk Assessment in 2023. The ESG Risk impact on operational risks are summarised at the end of this section.

#### 4.3.1 Risk management approach

The ExCo dedicates a great deal of attention to managing and controlling operational risks. De Volksbank has a Risk Control Framework in place and closely monitors events and incidents for status and solution. De Volksbank distinguishes three categories for operational risks: operational risk, compliance risk and model risk. The Operational Risk Committee (ORC) reviews and assesses the status and progress of most of risk types on a monthly basis. For some risk types, there is a dedicated risk committee in place, e.g. the Model Governance Committee (MGC) and the Client Integrity Risk Committee (CIRC). Overall, our operational risk score was outside our risk appetite in 2023 (see Section 4.1.3 [Risk appetite and risk indicators](#)). We have setup and are

executing dedicated 'Path to Green' programmes for relevant operational risk types to get back within our risk appetite.

#### Types of risk and areas of focus

As mentioned above, de Volksbank distinguishes three categories for operational risks: operational risk, compliance risk and model risk. Operational risk and compliance risk are in turn subdivided into various sub-risk types.

In the section below, we address the most important developments with regard to all risk types and sub-risk types in 2023.

#### 4.3.2 Operational risk

##### PEOPLE RISK

People risk is the risk of direct or indirect loss related to inadequacies in human capital and shortage of staff.

##### Developments in 2023

In 2023, de Volksbank formulated a People & Organisation strategic plan to strengthen the organisational, employee and leadership capabilities needed to deploy our strategy. We aim to remain an attractive employer so as to attract and retain sufficient and vital employees with the right skills. Throughout the year, managers of de Volksbank are also supported in mitigating risk related to key employees. These are the risks of not being an attractive employer, insufficient inflow and unwanted outflow, lack of the right skills, high absenteeism and an unhealthy working environment. Below we describe some of the measures we took in 2023 to mitigate these risks. More information can also be found in Section 2.3.4 [Genuine attention for employees](#) in the IAR 2023.

We took various actions to strengthen our employer brand and attract candidates with the right skills and expertise. Knowing that our company culture and profile are important reasons for people to work at de Volksbank, we created a new employee value proposition that is aligned with its brand proposition. We also concluded a collective labour agreement for the years 2023 and 2024 providing attractive employee benefits. To fill vacancies, we made strategic sourcing and recruitment plans, especially for target groups that are scarce on the labour market. Despite our efforts, the volume of external FTE in 2023 increased from 20% to 22% of the total number of FTEs. To reduce the risks of further increasing external hiring, we intent to move towards an integral recruitment approach of the total workforce in the years ahead. In the meantime, several actions are being taken to make conscious sourcing choices to obtain the appropriate ratio between internal and external staffing within departments.

Over the past year, the employee turnover rate declined from 14.1% at year-end 2022 to 8.4% at year-end 2023. Talent retention is necessary to have the right capabilities

and leadership available, now and in the future. We conducted a talent review in 2023 to identify high performers and high potentials and to draw up an effective succession plan. The risks of single points of knowledge and a high turnover rate of talent were discussed in leadership teams, including mitigating actions to reduce the risks. Identified high performers and high potentials were invited to interviews in which we focussed on their ambitions. Moreover, de Volksbank is evolving into a learning organisation with learning platforms, which are frequently used by our employees to improve their skills and increase their employability. On-the-job learning is facilitated by the agile way of working, as learning is part of the agile methodology.

The sickness absence rate remained stable at 5.2% in 2023. To reduce sickness absence, we conducted an analysis of causes in the last quarter of 2023. Based on this analysis, we drew up an absenteeism reduction plan, including a number of measures to reduce the sickness absence rate.

#### PROCESS RISK

Process risk is the risk of direct or indirect loss resulting from inadequate or failed processes, run and change, including the completeness and structure of processes and process governance.

#### Developments in 2023

In 2023, de Volksbank executed an action plan to improve the following Key Risk Indicators (KRI): overdue high issues per process, ineffective controls and up-to-date process descriptions. By the end of 2023, the KRI indicated that 95% of process descriptions had been updated within one year. The percentage of effective controls in monitoring remained stable, around 90% is yellow, which means that the risk profile slightly exceeds the risk appetite, the target of 95% remains a challenge. There are still overdue high risk issues, supervisory issues in particular in the customer integrity and AIRB modelling domains. We have programmes in place to address the more complex issues in these domains. Overdue audit issues declined by nearly 64% year-on-year, still below the > 75% target reduction. In 2024, the above mentioned KRIs will be intensively monitored as part of the Monthly Business Reporting.

By the end of 2023, the Process Risk Policy was updated and the process architecture was redefined. We will continue to draft and implement policies, including the improvement of the process maturity scan. We created a new vision on process management on operational excellence and continuous improvement in an agile organisation, which will be translated into actions in the period ahead. Furthermore, we will strengthen our capabilities by recruiting a dedicated Lead Process Management and expanding the central team with additional resources.

#### IT SYSTEMS RISK

IT systems risk is the risk of direct or indirect loss resulting from inadequate or failed internal (IT) systems.

#### Developments in 2023

With the rapid digitalisation in today's world, cyber and financial crime unfortunately remain a fact of life. Criminals are increasingly sophisticated in their operations, also benefitting from easier access to generative artificial intelligence (AI). In the past years, we have seen a trend in which cybercrime is moving from the banking environment to the customer environment. This means that criminals are persuading customers to enter into a transaction and authorise it themselves. We are responding to this shift by focussing more on customer awareness. Faced with ever-increasing cyber (crime) threats, we also continued to strengthen the bank's resilience and (cyber) security by developing, enhancing and implementing security capabilities and the insight into IT health and security, including the coverage of the IT key controls. Based on our IT architecture roadmap, we are modernising our applications and underlying infrastructure. For our IT landscape we apply the 'cloud first, but not cloud only' architectural principle. We also performed a disaster recovery scenario, crisis management team tests and back-up and data recovery tests. As the Digital Operational Resilience Act (DORA) will enter into force in January 2025, implementation is ongoing to ensure compliance with this regulation. Like many other companies, de Volksbank is investigating the use of AI, being cautious about the risks associated with these new technologies, such as errors in outcomes.

Our employees are our human firewall: the first and last line of defence. We do not consider people to be the weakest link, we regard them as an essential part of our security. For that reason, all our employees followed the mandatory Human Firewall training in 2023 and participated in company-wide organised Risk Awareness Days and Phishing campaigns, in which they were trained in cyber security and data privacy challenges. We will continue our efforts and initiatives to further strengthen our corporate security culture and mindset.

We created a dashboard with Key Risk Indicators for IT systems risk. Year-end 2023, not all scores were within our risk appetite. In 2024, we will continue to execute our Path to Green programme to bring IT Systems Risk within the risk appetite.

#### DATA MANAGEMENT RISK

Data management risk is the risk of loss for de Volksbank and its customers resulting from shortcomings in (the use of) our data, data definitions and data structures. This involves the entire life cycle of data from input, development, interpretation, storage and deletion, to phase-out.

### Developments in 2023

Early 2023, the ExCo approved our Data Vision 2025, which sets out the opportunities and challenges on the basis of external and internal developments. Following up on the next steps as formulated in this Data Vision, we recruited a Lead Data Management. We established a data strategy, roadmap and new target operating model, including clear accountability for Data Management. This strategy and roadmap are addressing challenges in relation to KYC, BCBS 239, GDPR, ESG and IRB in an integrated way due to overlapping data management-related root causes, often fundamental. We set up a coordinating Data Governance body to oversee data initiatives, data risks and the execution of the roadmap. A new Data Management Report is delivered weekly to monitor the progress of KRIs per Center of Expertise (CE) and Hub. Every CE and Hub is required to identify critical data elements, and to capture definitions and mandatory meta data. As additional work needs to be done by some CEs and Hubs to achieve their targets, action plans are drawn up and implemented. These actions are monitored by the ORC. In the last quarter of 2023, we started replacing legacy data management tooling with new technology.

### REPORTING RISK

Reporting risk is the risk that the reporting process is not functioning properly, resulting in a lack of reliable and timely reporting.

### Developments in 2023

In 2023, we continued to execute our multiyear programme to improve our finance and risk data infrastructure, automate our financial and regulatory reporting processes and increase the quality and availability of data. To this end, we continued to optimise the organisation, by building more autonomous change teams as well as a focussed data management team for our governed financial and regulatory reporting lane. We performed risk assessments on our financial and regulatory reports resulting in an updated financial key control framework and reaffirmed the operational effectiveness of the controls as at year-end 2023. We will maintain the financial key control framework and control testing of the financial key controls as part of our ongoing business-as-usual processes. ESG reporting is an important pillar in our reporting domain and we have invested in bringing the main ESG reporting to our governed lane central data warehouse environment. We expect to finalise the major ESG milestones in the course of 2024. Furthermore we are implementing the new CSRD reporting requirements for our first reporting obligation over full-year 2024. Our risk reporting on IFRS 9 provisioning for our mortgages was brought to our central data warehouse environment in 2023 and we will continue this effort for the other credit risk reporting.

We were also subjected to an industry wide ECB on-site inspection focussing on the adherence to the Basel Committee on Banking Supervision's standard number 239 (BCBS 239), i.e. the Principles for Effective Risk Data Aggregation and Risk Reporting

(PERDARR). This increased supervisory focus on BCBS 239 confirms the importance of the roll out of our ambitions in the area of data management governance and scope, capabilities, tooling and lineage, as well as risk reporting.

### LEGAL RISK

Legal risk is the risk of financial loss or reputational damage due to legal or regulatory events originating from lack of awareness, incorrect or altered interpretation or non-compliance with laws and regulations that apply to de Volksbank and its entities in relation to its agreements, liabilities, processes, products and services.

### Developments in 2023

The number of legal claims filed against de Volksbank remained stable. No material new litigation was started against de Volksbank. An overview of the material legal proceedings involving de Volksbank can be found in Note [20 Contingent liabilities and commitments](#) to the Consolidated financial statements in the IAR 2023.

De Volksbank finalised its project for customers who paid too much interest on products with variable interest rates, such as revolving consumer credit. Customers were compensated in accordance with a compensation scheme for which a provision was formed in previous years. For former customers who could not be reached, information is provided on the website of de Volksbank's brands. For more information, see Note [16 Provisions](#) to the Consolidated financial statements in the IAR 2023.

In 2021, de Volksbank reassessed its capital treatment policy for exposures to Swiss Cantons and the Swiss cantonal banks guaranteed by Swiss Cantons. On 14 March 2023, the ECB communicated a statement of objections concerning a suspected breach of capital requirements, being the previously applied risk weight of 0%. On 20 July 2023, the ECB, by decision, imposed an administrative penalty on de Volksbank of € 4.5 million. For more information on this, see Note [31 Other operating expenses](#) to the Consolidated financial statements in the IAR 2023.

For regulatory events relevant to legal risk, see the section [Customer integrity risk](#) later in this chapter under Compliance risk.

De Volksbank's Regulatory Radar process was evaluated in 2023. This process embeds the implementation process of new laws and regulations within de Volksbank and includes a regulatory outlook and a Compliance Monitoring report. Several improvements have been identified, which will be given follow up in 2024 and beyond.

### CHANGE RISK

Change risk is defined as the risk of direct or indirect loss due to inadequate design, execution or implementation of changes or of deployment of processes,

resources, products or services, as a result of insufficient execution power or change competencies.

#### Developments in 2023

Managing the risk associated with the execution of changes has become increasingly important since the implementation of the agile way of working, as a result of which change is an integral part of day-to-day business operations. We perform change risk assessments, not only thoroughly for the strategic transformations, but most intensively for the agile transformation itself.

The second line reports on the risk profile of the risk type 'change risk' to the ORC and ExCo on a quarterly basis. In the fourth quarter of 2023, the ExCo also decided to install a Strategic Portfolio Office (SPO), to facilitate and coordinate changes that involve multiple Hubs and Centers of Expertise. Managing change risk will be further strengthened in the period ahead. The SPO will also monitor and manage change risk from a first line perspective, enhancing learning from change and the controlled execution of changes.

#### OUTSOURCING RISK

Outsourcing risk is defined as the risk of direct or indirect financial loss or reputational damage as a result of non-performance or poor performance of a service provider and/or as a consequence of inadequate control over the outsourced activities.

#### Developments in 2023

'*Becoming a more efficient and flexible organisation*' is one of the key pillars of de Volksbank's 2021-2025 strategy to turn promises into impact. De Volksbank aims to increase its efficiency through partnerships and outsourcing activities as well as to live up to this strategic pillar by using its capital more effectively.

In 2023, de Volksbank continued to shape its organisation and outsourcing policies and processes in order to comply with European laws and regulations. We also set up an Outsourcing Board (OB), enabling de Volksbank to adequately measure and monitor new critical outsourcing initiatives and contract renewals and accurately report to the ECB. The OB reports directly to the ExCo. We also established a new Risk Assessment Outsourcing (RAO), enabling us to manage and mitigate our contract risks. Furthermore, for the departments with the largest number of outsourcing contracts, de Volksbank successfully implemented the new procurement process by means of the ServiceNow tool. As part of remediation, we completed the renegotiation of existing contracts to ensure compliance with current laws and regulations. Progress in this field throughout the year has not only provided us with more knowledge and

a better understanding of our total expenditure and risks, but also improved our qualitative and quantitative reporting to the ECB.

De Volksbank will continue to work on the aforementioned initiatives in 2024 and bring the outsourcing risk under further control.

#### CRIME RISK (including fraud)

Crime risk is the risk of internal, intermediary and franchise criminal actions or external crime, which can lead to damage or infringe the trust of customers or other stakeholders of de Volksbank or its employees. Fraud risk is not defined as a separate operational risk type in the Risk taxonomy of de Volksbank and we classify fraud as part of the Operational Risk sub-type Crime risk, which is described in this paragraph.

#### Developments in 2023

##### Internal crime

###### Internal investigations & insider threat

We investigated all internally reported crime cases and duly took mitigating measures, such as process improvements and technical changes in business applications. We conducted numerous behaviour-related awareness activities to inform de Volksbank staff about the risks and consequences<sup>1</sup> of fraudulent and dishonest behaviour by not adhering to law and regulations, Banker's oath and de Volksbank's Code of Conduct. We provided advice on the screening process of new internal and external staff to limit the risks of insider threat<sup>2</sup>, facilitated the ongoing internal dialogue on insider threat and participated in external collaboration on this topic and will continue to do so.

##### External crime

###### Physical incidents

The upward trend in the number of aggression and violence incidents in 2022 continued in 2023. More and more customers act in aggressive and intimidating ways towards our staff. To support employees in this regard, we conducted a training and awareness programme in 2023 in collaboration with SNS' Management Board for all customer facing staff. We also launched a monitoring programme to examine whether SNS shops comply with the staff safety criteria.

###### Mortgage and credit fraud

In 2023, we again encountered mortgage fraud and credit fraud, albeit without significant changes compared to the previous year. The most common cases consisting of fraud with income statements and concealment of (non-registered) debts, like study loans. Investigations into these types of fraud led to numerous

<sup>1</sup> Consequences may be: a reprimand, training obligation or professional ban up to three years.

<sup>2</sup> Insider threat is the risk that an insider misuses his authorised access to/or knowledge of premises, systems, (confidential) information or staff in activities that will harm de Volksbank. Insider threat may be unintentional or intentional, and can cause severe damage, such as theft, fraud, data breach, violence, sabotage, espionage and cyber acts.

changes in internal document collecting processes to assess mortgage and credit loans to mitigate these risks. Moreover, we engaged in dialogue with finance industry associations to make improvements in laws and regulations governing financial institutions.

#### Fraud detection

We are improving our fraud detection systems through machine learning. Compared to last year, there is a significant decrease in identity fraud and phishing. On the one hand, we eliminated the opportunity to create a bank account with stolen credentials by changing sign-in methods and a new method of onboarding verification led to a significant drop in money mule accounts. On the other hand, we see the continued rise of bank impersonation fraud, boiler room fraud and dating fraud.

#### Digitally resilient customers

To make our customers digitally resilient, we raise cybercrime awareness and educate them to recognise fraud and scams. In 2021, we launched an online training course. In 2022, we took the next step by making the training available not only for our customers, but for everyone who banks online. In 2023, we updated the training module to make it more accessible for every type of customer. Additional to these initiatives, the newsletters of SNS, ASN Bank and RegioBank feature a blog with tips against fraud.

#### Appropriate measures against fraud and scams

When, despite all efforts, a customer falls victim to cybercrime, we take measures to mitigate the damage and provide aftercare to restore trust in digital banking. As far as phishing is concerned, we have optimised our monitoring and detection in 2022 and 2023, significantly reducing this form of fraud. De Volksbank has joined forces with other (financial) institutions and partners in the public sector to ensure that scamming does not pay off. For instance, we appealed to politicians that legislation on information exchange is urgently needed. Furthermore, together with the Ministry of Justice and Security and other parties in the market, we are investigating how to further reduce online crime in a joint effort. We also contributed to the Dutch Banking Association's new 'Safe Banking' campaign launched in July 2023.

#### Cybercrime

More information on cybercrime can be found in the section on [IT Systems risk](#) above.

In 2024, we will continue our collaboration with public and private organisations to address upcoming legislation, closely monitor national, economic and technical developments and translate these in independent advice, infrastructure improvements and internal and external awareness programmes to make de Volksbank and its customers more resilient going forward.

### 4.3.3 Compliance risk

We define compliance risk as the risk that de Volksbank fails to comply with laws, or the spirit of any such laws, additional regulations, self-regulation and any relevant codes of conduct.

The Compliance function continuously monitors compliance with laws, regulations and internal policies. The taxonomy of compliance risk distinguishes three sub-risks:

- Customer Integrity Risk
- Business Integrity Risk
- Conduct Risk

We ensure better identification and management of compliance risks by means of tools, such as regulatory technology, Compliance Management Dashboarding and new privacy tooling.

#### Developments in 2023

Below, we describe the most important compliance risk-related developments in 2023.

#### CUSTOMER INTEGRITY RISK - KNOW YOUR CUSTOMER (KYC)

As a gatekeeper, de Volksbank helps detect and prevent financial crime, taking a holistic approach to customer integrity in relation to anti-money laundering, to counter the financing of terrorism (CFT) and to ensure compliance with sanctions and tax regulations. We consider the gatekeeper function to be an integral part of our business operations. In 2023, de Volksbank continued to increase investments in this domain. De Volksbank is determined to take all necessary steps to fulfil its gatekeeper responsibilities to which end we closely follow updated legislation.

DNB conducted a supervisory review on customer integrity at de Volksbank in 2022 and identified several shortcomings. DNB concluded among other things that de Volksbank did not sufficiently identify and assess its ALM/CFT risks. Also, the results of the identification and assessment of its integrity risks were not up to date according to DNB. In addition, de Volksbank takes insufficient account of the risk factors related to the type of customer, product, service, transaction and delivery channel and to countries or geographic areas. In 2023, DNB concluded that de Volksbank violates the Dutch Anti-money laundering and anti-terrorist financing Act (*Wwft*), and thus imposed an instruction to remediate the Systematic Integrity Risk Analysis (SIRA) by 1 April 2024. De Volksbank has formed a provision of € 2 million for the incremental costs to be incurred for the remediation activities related to SIRA. DNB also announced its intention to start an internal procedure to impose an administrative fine.

De Volksbank needs an organisation-wide comprehensive remediation plan to remediate and implement a future-proof and robust customer integrity framework. Remediation of the SIRA is the first part of this plan. The focus is on building a

fit-for-purpose and robust SIRA framework that serves to methodically identify and assess de Volksbank's customer integrity risks and to enable the implementation of targeted controls to help mitigate any such risks. In view of the above, we recently requested DNB for an extension of the SIRA-related remediation deadline from 1 April to 1 Augustus 2024, which allows us to finalise the SIRA and meet all detailed requirements. This request is pending.

DNB expects that all identified shortcomings will be permanently and structurally remediated and captured in a comprehensive remediation plan. As combating financial crime has our highest priority, we have substantially scaled up our efforts to remedy the identified shortcomings. We created the position Chief Financial Crime Officer (CFCO) to reinforce the safeguarding of KYC-related measures within the Executive Committee. Remediation activities to tackle all shortcomings and expectations will continue to be carried out in the course of 2024 and following years. Some of the remediation activities will be carried out with the help of external parties. In the period ahead, de Volksbank will further concretise this comprehensive remediation plan. The costs associated with the remediation are currently being assessed and translated into a multi-year budget.

As from 31 December 2023, following ongoing communication with DNB, a legal obligation exists to remediate *Wwft* non-compliance together with the SIRA. However, no provision was recognised in this respect, as at this stage the remediation activities are being further concretised and no reliable estimate of the related significant additional multi-year investments can be made. DNB is closely monitoring the progress in the aforementioned areas and, depending on the progress of the remediation, may decide to proceed with additional measures, that may have a financial impact.

In addition to the above measures, de Volksbank continues to execute the remediation project relating to the customer screening and transaction screening systems, which will remediate findings from the regulatory testing of our screening systems conducted by DNB in the second half of 2022. This includes closely monitoring the various EU packages of sanctions measures, as a consequence of which we severely restricted transactions with Russia and Belarus and with the occupied territories of Ukraine.

### **BUSINESS INTEGRITY RISK**

#### Products that meet customer needs and expectations

The financial services industry has a responsibility to provide products that are safe and comply with laws and regulations. Since it is de Volksbank's mission to bank with a human touch, we want to emphasise this responsibility. This is translated in product governance and oversight policies that are used in the development and adjustment of services and products. Products are reviewed by standards that evolve over time.

We focus on product-related topics, including, but not limited, to the compliance of commercial communication, the development of a new mortgage product, the *Bespaarhypotheek* and advice on appropriate savings interest rates.

Interest-only mortgages have our continued attention. In 2023, as in 2022, in consultation with the ECB, we explored additional de-risking measures for interest-only mortgages in the Netherlands. We adjusted the customer outreach in 2023, aligning with ECB guidance. These measures may result in further scrutiny of the future loan volume development, impairment charges and capital. The exploration of additional de-risking measures involves several legal and compliance aspects which are taken care of by the relevant departments.

Unfortunately, the AFM issued a warning letter for non-compliance with legislation concerning the ASN commercials for (sustainable) investments as a follow-up to its previous norm-transmitting letter. In 2023, de Volksbank has revised all ASN investment commercials and strengthened the content creation process.

#### General Data Protection Regulation (GDPR)

De Volksbank continues to enhance compliance with the GDPR to protect the privacy of our customers and employees. For example, we continued to develop privacy governance. The Privacy Guild, a team of first-line privacy officers, is still in office and continued to support the ongoing implementation of the GDPR. The whole organisation completed a mandatory e-learning on privacy. The training will be repeated on an annual basis to increase awareness on this topic. Following the decision by the Court of Justice of the European Union (CJEU) on data transfers, we are examining and assessing all contracts with (sub)processors for the risks resulting from data processing in countries outside the European Economic Area (EEA). We also are in the process of concluding new Standard Contractual Clauses (SCC) where applicable. This action is nearing completion. Further enhancing compliance with privacy legislation within the old data warehouse has our full attention.

To protect the privacy of its customers and employees, de Volksbank continues to enhance compliance with the GDPR. Thus, we continued to develop privacy governance, for example by installing a Privacy Office in the first line on 1 January 2024. We also developed the Register of Processing Activities, which will be incorporated in the Privacy tooling, as will the Data Protection Impact Assessments (DPIAs). The organisation has taken action to comply with the Data Retention and Destruction (*Bewaren en vernietigen*) Policy and data minimisation principle within de Volksbank. We updated our internal Privacy Statement and informed our staff about it. The Data Protection Officer (DPO) discussed the Transaction Monitoring NL (TMNL) DPIA with the DPOs of the banks that participate in TMNL and the DPO of TMNL.

We have several mitigating policies, actions and processes in place to minimise data breaches and complaints about privacy and we consider it important to monitor these aspects. We do consolidate and analyse all customer privacy-related complaints. In addition to this, we aim to further improve the registration of privacy-related complaints and increase awareness among staff to recognise privacy-related complaints.

The number of data breaches is generally stable and mainly consists of mails sent to customers' old addresses. One of the main underlying causes is that customers themselves are responsible for keeping their address details at the bank up-to-date.

**CONDUCT RISK**

Ethical business conduct is key for the strategy of de Volksbank, to safeguard customer trust, to prevent any regulatory fines and in the end, to maintain our license to operate within the Dutch banking sector. Managing conduct risk is embedded through several risk policies and through the standard risk management processes such as risk identification, risk assessment, mitigation, monitoring, reporting and the investigation and follow-up of issues, misconduct (e.g. circumvention or undesirable behaviour) and concerns raised. In 2023, de Volksbank initiated several activities to further strengthen its risk management in the area of conduct risk. For example, we updated our Code of Conduct and rolled it out in the organisation supported by staff training and awareness. We also founded an Ethics Committee that addresses bank-wide dilemmas such as the increase in interest rates on savings accounts versus mortgage loans and the financing of controversial customers. Furthermore, we started a risk culture enhancement programme and developed a new risk policy on conduct risk. We will continue to embed these initiatives in 2024. See Section 2.4.3 Ethical business conduct in the IAR for more background information on this topic.

**4.3.4 Model risk**

Model risk is defined as the risk that the financial position of de Volksbank is, or customers' interests, are negatively impacted by the use of models. Model risk arises from errors in the development, implementation, use, or interpretation of models, leading to inaccurate, non-compliant, or misinterpreted model output.

**Developments in 2023**

Model maintenance is an ongoing process involving many discussions and iterations with the ECB. We have paid a great deal of attention to ensuring compliance with regulatory capital and provisions-related regulations, especially with respect to the residential mortgage portfolio.

The active model versions for regulatory capital and the IFRS 9 provisioning for our residential mortgages are part of our internal ongoing validation cycle in accordance with regulatory requirements. To sufficiently mitigate model risk, we have

implemented additional model refinements, so-called Self-Imposed Add-ons (SIA), for regulatory capital in 2023. As far as provisions for credit risk are concerned, we have implemented several overlays to mitigate the risks identified in OSI IFRS and regular model validations.

In 2024, we will continue the redevelopments of our regulatory capital models and provisions models for our residential mortgage portfolio.

**4.3.5 ESG Risk Assessment**

In 2023, de Volksbank conducted an ESG Risk Assessment, for more information on the process and methodology of this assessment, see Section 4.9 Sustainability risk. The results of operational risks from this ESG assessment are summarised below.

**ESG Risk Assessment - operational risks<sup>1</sup>**

| Risk type               | ESG risk type |        |            |
|-------------------------|---------------|--------|------------|
|                         | Environmental | Social | Governance |
| People risk             | -             | √      | √          |
| Compliance risk         | -             | -      | √          |
| Other operational risks | -             | -      | -          |

<sup>1</sup> √ refers to risk types for which the impact of ESG risk drivers was assessed as potentially material in the short, medium and/or long term.

The overall gross exposure in relation to people risk and compliance risk has been assessed as material as far as governance issues are concerned and in relation to people risk also as far as social issues are concerned.

**People risk - Social**

There is a chance that de Volksbank does not meet the social and/or legal diversity and inclusion requirements due of a misinterpretation of laws, regulations and frameworks, such as the Dutch Diversity Act, which came into effect as from January 2022 and the Fair Bank Guide, which banks rates on the theme gender equality. Not meeting the aforementioned requirements may lead to reputational and/or financial damage (fines).

Our Diversity, Equity & Inclusion (DE&I) policy is embedded in de Volksbank's House of Policies. This policy is updated annually to reflect the latest developments in society and follow relevant laws and regulations, international standards and guidelines. It also includes the various interventions in the field of D&I, for example training, communication and a D&I scan as part of strategic workforce planning.



### People risk - Governance

There is a chance that de Volksbank's staff and the ExCo do not comply with the current sustainability governance requirement, for example privacy and integrity. This may lead to reputational and/or financial damage (fines). Examples are the Dutch Diversity Act and the Fair Bank Guide.

Employees have taken the Bankers' Oath, a confirmation of our code of conduct entitled 'Common sense, clear conscience', which is in line with the rules of conduct of the Dutch Banking Association. The rules of conduct are reviewed regularly. After an update, we inform employees of the changes and ask them to confirm that they have read the new rules of conduct. We also implemented various management measures as included in our Privacy Risk Policy and in our integral staff inflow-, throughflow- and outflow processes.

### Compliance risk - Governance

There is a chance that counterparties of de Volksbank do not conduct business according to the current sustainability rules and regulations, for example tax avoidance and evasion, human rights, transparency, privacy, integrity. This may trigger a negative sentiment towards de Volksbank and as a consequence lead to reputational and financial damage (fines).

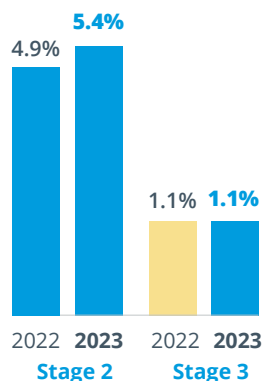
To mitigate these risk, we have to carry out the various management measures as set out in the customer acceptance, monitoring and review policies and the outsourcing policy.

Specifically for ASN Bank sustainable loans a thorough KYC assessment and an ESG risk assessment are part of the credit approval process, in addition to the credit worthiness assessment. Due to the large ticket size of the sustainable loans and, in some cases multiple shareholders, the KYC assessment is a very important part of the credit approval process. Moreover, a change of control with respect of these loans is subject to approval as described in the credit documentation.

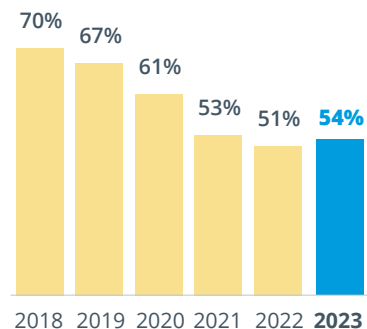
## 4.4 Credit risk

In 2023, the credit quality of the total loans and advances to customers remained virtually unchanged. Loans and advances in arrears as a percentage of total loans was 0.8%, slightly higher compared to year-end 2022 and the stage 3 ratio remained unchanged at 1.1%. The actual incurred losses of residential mortgages and SME loans remained very low, evidencing the high credit quality of our loan portfolio and the resilience of Dutch house prices. The provision for credit losses increased, mostly due to an increase in the modelled provision, in particular for interest-only mortgages and additional provisions for a few individual corporate customers.

Stage 2 and stage 3 loans expressed as a % of the total loans and advances



Average Loan-to-Value of residential mortgages



Loans and advances to customers<sup>1</sup>



At de Volksbank, we define credit risk as ‘the risk that the bank suffers a financial loss or a material decrease in solvency due to the fact that a borrower or counterparty does not meet the financial or other contractual obligations to the bank, or due to a significant deterioration of the creditworthiness of a specific borrower or counterparty’.

### 4.4.1 Risk profile

To manage its credit risk, de Volksbank clusters its loans in portfolios. We have a high concentration of residential mortgage loans in the Netherlands. Other loan portfolios on our balance sheet are much smaller in size. We have developed a policy framework to actively monitor, and thus prevent, any undesirable concentration risks within our portfolio clusters.

We use specific criteria to allocate customers and loans to a particular portfolio. One criterion is the type of customer: a natural person, an SME customer, a government authority, a financial institution or a sustainable project.

We also make a distinction between mortgage loans: loans that are collateralised by real estate i.e. residential or commercial real estate, and unsecured loans or loans secured by another asset, such as revolving credits, credit facilities on current accounts and personal loans.

We also make a distinction between the various degrees of security, for example a government guarantee or a guarantee issued by a fund, such as the National Mortgage Guarantee (NHG). In our risk policies, we also set exposure limits to a single borrower or counterparty, to avoid excessive losses in the case the counterparty in question can no longer meet its obligations. These exposure limits are regularly reassessed.

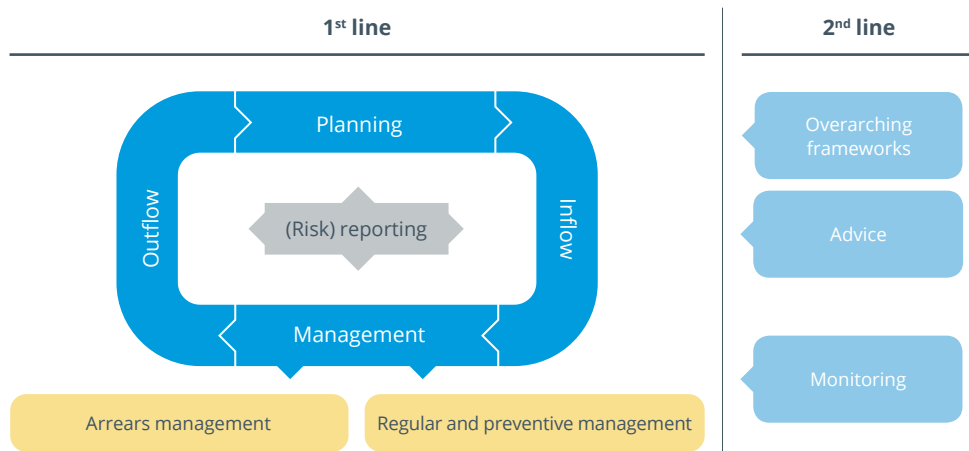
To ensure effective monitoring and the timely implementation of mitigating actions, de Volksbank draws up reports in line with the portfolio clusters. The paragraphs in this section successively describe in more detail how we manage and control the various loan portfolios, how we apply our provisioning methodology for each portfolio and how we characterise the underlying risk drivers.

### 4.4.2 Management and control Audited

As part of credit risk management, we internally assess and monitor the credit standing of our customers i.e. borrowers or counterparties. In this process we estimate the probability of our customers being unable to meet their contractual payment obligations arising from the loan agreement, as such inability could result in a potential financial loss for the bank.

At portfolio level, we also steer the risk by defining the desired credit quality of new loans and the status of the healthy loans versus the loans in arrears, as well as by monitoring the outflow. The diagram below provides a visual representation of de Volksbank's credit risk management process.

## Risk reporting



### Reporting

De Volksbank has a comprehensive credit risk monitoring framework, allowing it to monitor, analyse and manage the credit risk at risk appetite level.

The responsibility for credit risk reporting lies with first and second line of risk management. The first line monitors portfolio developments to keep the risk for which the it is accountable within the risk appetite. The second line develops credit risk reports, which provide comprehensive insight into the level of credit risk and gives a timely warning when the quality of the portfolio deteriorates in terms of credit risk. The first and second lines hold monthly meetings in which they discuss portfolio developments as well as various credit risk aspects, including insights gained from the credit risk reports.

The credit risk reports are periodically submitted to the Credit Committee, the ExCo and the Risk and Compliance Committee of the Supervisory Board.

### Loan portfolios

#### RESIDENTIAL MORTGAGES

When providing a new mortgage loan, we apply internal standards that are in line with the applicable legal frameworks, such as a customer's income and the collateral value. We also use an acceptance scorecard to predict whether customers will be

able to meet their long-term obligations. For more information on risk-mitigation measures, see Section 4.4.6 [Risk mitigation](#) in the IAR 2023. To stimulate sustainability, we offer various options in our current residential mortgage range to make homes (more) energy-efficient, for example, we launched a new mortgage product the *Bespaarhypotheek*, to which we also apply the standard acceptance criteria.

### Interest-only mortgages

As in previous years, de Volksbank paid special attention to interest-only mortgages. The programme 'Customers want to continue living carefree in their home' continued. As part of this programme, we contact all customers with interest-only mortgages to assess their financial situation at maturity. In 2023, this programme was modified through the launch of our 'Intensified Carefree Living' customer journey, targeting our potentially vulnerable customers to jointly perform an affordability assessment of their mortgage. Customers are made more aware of how to anticipate to future challenges. For example, we may offer budget coaching when needed. We continuously monitor interest-only mortgage customers' credit risk profile to identify customers who fall into a higher risk category in a timely manner and to contact them proactively. We engage with customers to ascertain the affordability of the interest-only mortgage at maturity, based on the customer's (future) income. Moreover, in 2023 additional risks regarding interest-only mortgages were covered by a management overlay which is included in the provision for credit losses. For more information on this management overlay, see [4.4.5 Figures, ratios and trends](#) in the IAR 2023.

In consultation with the European Central Bank (ECB), de Volksbank continued to explore additional de-risking measures for interest-only mortgages in the Netherlands, resulting in continued scrutiny of future loan volume development, as well an ongoing dialogue with the ECB. Balancing further risk mitigation measures with customer interests and the social impact on Dutch society is embedded in de Volksbank's mission.

### Preventive management and arrears management

De Volksbank regards customer trust as the basis for a long-term relationship. We manage our credit risk through an active and specific policy for customers who are in arrears or are expected to fall into arrears within 12 months. If there is reason to doubt the ability of a customer to fulfil his or her obligation to the bank in accordance with the agreed terms, the Preventive Management department will contact the customer. After examining the situation they assess if a solution needs to be found for the customer, if it is possible to offer financial coaching, and if any such a solution is within the commercial mandate. If this is not the case, the customer is transferred to the Arrears Management department.

The Arrears Management department is responsible for dealing with customers with financial difficulties in relation to mortgage loans, private loans or current accounts. It is important that customers are aware of what they can and should expect from this department, which is why it applies eight service promises. These promises are communicated to the relevant customers personally and are also available on our website.

When a customer's arrears exceed 30 days, or when the risk of financial instability rises, we assign a case handler to this customer. Our starting point is that customers are allowed to stay in their homes and continue to make their (mortgage) payments. To this end, Arrears Management also arranges home visits by a dedicated customer visitor to ensure that there are low-barrier options for customers to engage in a dialogue about their financial difficulties.

However, to prevent an accumulation of payment problems, or in situations in which the loan has to be called in early, we may have to apply a forbearance measure. This is a non-commercial concession: an arrangement with the customer entailing a temporary or permanent modification of the loan, the terms and conditions of the loan and/or of the payment conditions. If customers are truly unable to meet their obligations, we consult with them and may agree on a payment or restructuring measure.

If no solution can be found to resolve a customer's financial difficulties, we support them in selling their home. To preserve a good relationship, we continuously stay in touch with the customer. We do not engage debt collection agencies and only engage a bailiff if we fail to reach a mutual long-term solution, even though the customer has the necessary financial resources. We refrain from doing so, because using external parties' services drives up the costs for the customer, worsening his or her financial problems.

The deteriorating macroeconomic conditions due to i.a. rising inflation, has led to an increased number of customers being transferred to Arrears Management as from early 2023. However, most of these customers were able to recover on their own, as a result of which the number of customers requiring the assistance of a case handler did not increase. The outlook for 2024 remains unclear as there is uncertainty about, for instance, government policy. The current assumption is that the Arrears Management portfolio will remain on a stable low level.

For now, the solutions that we offer are adequate to help customers solve their financial problems. In 2024, we will continue to keep a close eye on market

developments with regard to customers who need support, and monitor whether the (forbearance) measures appropriate in changed circumstances.

As to our brands, SNS was the first to offer customers even more autonomy in the event of an initial payment arrears by making a process available in their online environments in 2023. In this process, customers are made aware of their arrears through a notification, and are then able to settle arrears themselves within the first 30 days of their arrears. In 2024, Arrears Management plans to expand this process to our other brands i.e. BLG Wonen, ASN Bank and RegioBank. We are also going to offer customers multiple options to solve a payment problem through these online channels, for example by autonomously independently entering into simple payment arrangements. There are some caveats to this, however, such as being able to properly map out the customer's financial situation. For example, for both customers and de Volksbank to get a sound understanding of the affordability of a chosen solution, we would require an online income and expenditure statement.

#### CONSUMER LOANS

Our consumer loan portfolio consists of personal loans, revolving credit facilities and overdraft facilities, i.e. credit limits on current accounts.

We offer personal loans to SNS customers, and this portfolio grew steadily over the past year.

We continued the process of phasing out the revolving credit portfolio that we started last year and we are now at a point that there are no more customers who can make withdrawals. As a result, we expect the portfolio to decrease strongly over the next few years.

The annual revision of the VFN loan standard<sup>1</sup> led to stricter consumer credit rules. As inflation increased the cost more loan applications were declined.

In 2023, we completed the programme to compensate customers who paid too much variable interest on their consumer loans. We made calculations for customers with revolving loans and/or overdraft facilities and they were compensated where necessary. For more information on this topic, see Note [16 Provisions](#) to the Consolidated financial statements in the IAR 2023.

#### SME LOANS

De Volksbank focusses on the micro-sized and small-sized business market segment in the Netherlands. These businesses have a maximum turnover of € 10 million. Our SME loan portfolio consists of two basic products; firstly mortgage loans to purchase

<sup>1</sup> The loan standard is set by the VFN, the Association of Financing Companies in the Netherlands, an association that protects the interests of lenders in the Netherlands and determines the responsible credit maximum, i.e. the maximum amount consumers can borrow responsibly.

or refinance commercial real estate with a maximum notional amount of € 2 million and a maximum maturity of 20 years and, secondly, working capital loans of up to € 150,000 for a maximum of 5 years.

Our maximum Loan to Value is either 80% or, for these loans with a high sustainable profile, such as energy efficiency rating in band A or higher, 90%.

#### Preventive management and arrears management

As soon as SME customers fall into arrears or inform us that they anticipate payment problems, we act on the basis of the key principles of continuity of the customer's enterprise and the recovery potential. We record our SME customers' payment behaviour, combine this with customer data, such as products and collateral, and use this information in risk models to determine whether our customers can meet their long-term obligations. This may result in us having to apply a forbearance measure. The models calculate the probability of default, i.e. the failure to make contractually agreed payments, such as interest and repayments, and the resulting loss expected for the bank. We use the IFRS 9 ECL model outcomes to prioritise customers who require assistance in recovering from arrears or default. Together with the customer, we explore the options to make the business financially resilient again, focussing on a healthy liquidity and profitability position. When a customer has recovered and a stable situation has been achieved, Arrears Management's supervision ceases, and the customer is transferred back to regular management. If recovery proves impossible, we can support the customer in selling the collateral, in which case we aim to limit the loss for both the customer and the bank.

#### OTHER CORPORATE AND GOVERNMENT LOANS

This portfolio is made up almost entirely of the two sub-portfolios of ASN Bank: sustainable loans and private loans. In addition, through our Financial Markets portfolio we provide various loans to other financial institutions and central and regional governments. Below, we describe what these sub-portfolios entail.

#### ASN Bank sustainable loans

ASN Bank's sustainable loans are mainly loans provided to organisations in the renewable energy sector. We mitigate concentration risk by thorough knowledge of the sector, geographical distribution of investments and diversification by type of energy production such as wind, solar, thermal storage and biomass, and underlying suppliers for solar panels and wind turbines. A substantial part of the sustainable loans involves government-guaranteed electricity prices and purchase contracts.

Rates are under pressure and returns are low in the sustainable loans market. In addition to our internal sustainable loan portfolio return targets, we also consider sustainability aspects, such as CO<sub>2</sub> reduction, in our decision on the loan to be provided.

#### Private placement

Private placement are loans provided by ASN Bank to housing associations, healthcare institutions, regional water boards and local governments. The loans provided to housing associations and healthcare institutions are guaranteed by the Social Housing Guarantee Fund (WSW) or the Guarantee Fund for the Health Care Sector (WfZ). The other loans are provided to government-related parties. Hence, this portfolio has an extremely low risk profile. The portfolio is a non-selling portfolio that will decline year-on-year due to scheduled repayments.

In addition to ASN Bank, Financial Markets also provides private placement loans.

#### Preventive management and arrears management

As soon as ASN Bank customers fall into arrears or notify us that they anticipate payment problems, we take action based on the key principles of continuity of the customer's enterprise and recovery potential. We may have to apply a forbearance measure. Together with the customer, we explore the options to make the business financially resilient again, focussing on a healthy liquidity and profitability position. When a customer has recovered and a stable situation has been achieved, Preventive Management supervision ceases and the customer is transferred back to regular management. If recovery proves impossible, we may support the customer in selling the collateral. In this case, we aim to limit the loss for the customer as well as for the bank.

#### INVESTMENTS

Investments predominantly consist of a bond portfolio used for liquidity management. To be included in this portfolio, counterparties have to meet stringent requirements and have investment grade ratings. We also apply our Applied Sustainability Policy, which is strict on ESG.

#### LOANS AND ADVANCES TO BANKS

The loans provided to banks or other credit institutions in the Financial Markets portfolio are classified as Loans and advances to banks, including posted collateral. We follow our Applied Sustainability Policy for these loans as well.

#### Stress testing and sensitivity analyses

As part of its Risk Management Framework de Volksbank evaluates its capital and liquidity position under severe stress conditions. The level of credit risk has a significant impact on stress test results. In addition, we regularly measure the sensitivity of the loan portfolios, and the level of the loan loss provisions against fluctuations of macroeconomic parameters.

Just like other banks, we are sensitive to these fluctuations. However, thanks to its strong capital and liquidity position, de Volksbank has proven to be capable of

withstanding the extreme scenarios applied in these stress tests. For further details, see Section 4.8.2 Capital management - Management and control in the IAR 2023.

### 4.4.3 ESG Risk Assessment

In 2023, de Volksbank conducted an ESG Risk Assessment, for more information on the process and methodology of this assessment, see Section 4.9 Sustainability risk. The results of credit risk from this ESG assessment are summarised below.

#### ESG Risk Assessment - credit risk<sup>1</sup>

| Risk type                            | ESG risk type |              |        |            |
|--------------------------------------|---------------|--------------|--------|------------|
|                                      | Environmental |              | Social | Governance |
|                                      | Physical      | Transitional |        |            |
| Residential mortgages                | √             | √            | -      | -          |
| SME loans                            | √             | √            | -      | -          |
| Other corporate and government loans | √             | x            | -      | -          |

<sup>1</sup> √ refers to risk types for which the impact of ESG risk drivers was assessed as potentially material in the short, medium and/or long term.

The overall gross exposure relating to physical risks and transition risks has been assessed as material for the business lines residential mortgages, SME loans and other corporate and government loans. Regulators also require banks to meet their expectations on climate risks by the end of 2024.

As a first step, we therefore examined, outside the scope of existing credit risk models, whether an additional provision should be introduced for environmental risks. The analysis showed that there is no need to make a material additional provision. We will conduct a more comprehensive study on how climate change affects the probability of default (PD), the loss given default (LGD) and the collateral value of our loan portfolio.

#### Environmental physical risks

As a result of acute and chronic climate risks, such as floods, storms, drought and a sea level rise, there is a risk of damage to homes, business premises or sustainable projects. This could lead to an increase in LGD. Climate risks may also have an impact on the customer's business operations and, therefore, cause deterioration of PD.

When gross risks have been assessed as material, mitigating controls should be set up. If necessary, existing risk controls will be extended with additional controls to stay within risk appetite.

To mitigate the risk of drought, and if there are foundation problems, de Volksbank may impose a deposit requirement on new customers to finance any repairs. Additionally, de Volksbank contributes to the Sustainable Foundation Repair Fund through which affected mortgagors can borrow money at a low interest rate to solve foundation problems in order to preserve and/or increase the value of their home. If the valuation report includes knowledge related to foundation damage or soil contamination, this will also be taken into account in credit approval.

Furthermore, when taking out a mortgage, the terms and conditions stipulate that a property insurance is mandatory.

For ASN Bank sustainable loans, an ESG assessment is part of the credit application. The physical climate risk is one of the items in determining the credit score.

#### Environmental transitional risk

As a result of the climate transition, there is a chance that more importance will be attached to the energy efficiency of homes and business premises, and this may affect their value development. There is also a chance that, as a result of i.a. rising energy prices and/or environmental taxes, commercial properties in our SME portfolio with a lower energy efficiency rating will decrease in value, or that an SME's business model will become less profitable. This may affect the LGD.

Making homes energy efficient is beneficial for the customer: energy bills go down and living comfort goes up. Moreover, it has a positive effect on the value of the home, which also benefits the bank. Our current residential mortgage range therefore offers the following options with regard to energy-efficient homes:

- A loan facility to borrow up to 106% of the home's value at origination when sustainability measures will be taken.
- The possibility to borrow an additional amount of loan at origination depending on the energy performance index to finance sustainability measures.
- *Bespaarhypotheek*: a mortgage that provides an interest rate discount when homeowners implement energy-saving measures towards a higher energy efficiency rating.
- ASN Bank offers a mortgage with a sustainable housing loan part.
- A discount for an energy efficiency rating in band A for ASN Bank mortgages.
- The possibility off a residential mortgage increase, within the credit criteria, to finance sustainability measures.
- Within the credit criteria, we consider the energy performance index of the home. For homes with better energy performances it is possible to get a higher maximum mortgage, in line with Dutch legislation.

As far as the SME portfolio is concerned, we are examining how to quantify climate-related risks and to help SME customers with the energy transition.

#### 4.4.4 Provisioning methodology Audited

##### Loan loss provisions (IFRS 9)

Based on IFRS 9 Expected Credit Loss (ECL) models, we estimate the risk of our customers running into financial difficulties on a monthly basis. Details of how loan loss provisions are determined are set out in this section.

Under IFRS 9, de Volksbank forms a provision for expected credit losses for every customer with a loan or credit facility. This provision also includes expected losses on loan commitments and financial guarantee contracts, known as 'off-balance sheet commitments'.

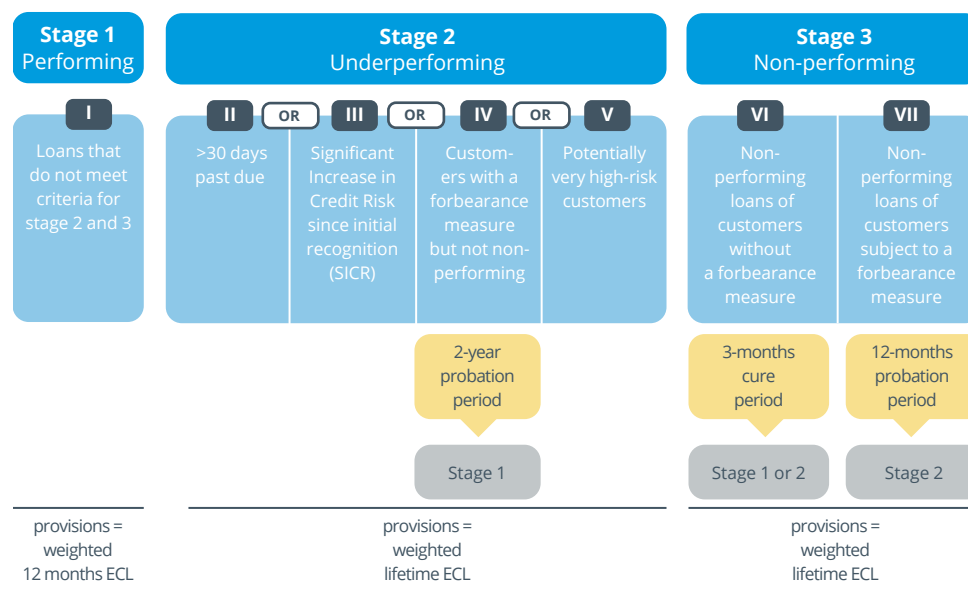
##### ECL models and loan portfolios

At de Volksbank, we distinguish the following specific loan portfolios for which we determine loan loss provisions:

- residential mortgages;
- consumer loans;
- SME loans;
- sustainable and private placement loans of ASN Bank (the ASN Bank portfolio, as part of the other commercial and government loans);
- Financial Markets portfolio (included in other commercial and government loans, investments and loans and advances to banks).

De Volksbank uses a specific IFRS 9 model for every portfolio to establish customers' creditworthiness and the Expected Credit Loss (ECL). The ECL models are Point-In-Time (PIT) and forward-looking, which means that, at every reporting date, they calculate the ECL for every loan in the portfolio based on internal predictions of the present economic situation in three scenarios (base, up and down), with every scenario being assigned a probability of occurrence.

#### Stage allocation



IFRS 9 includes three stages reflecting how the credit risk of a loan may develop over time compared with the date of origination. The stages are decisive for the calculation method and the amount of the provision to be made. The IFRS 9 stage allocation process within de Volksbank is presented in the diagram above.

##### Stage 1: 12-month ECL (category I)

Stage 1 includes customers with loans that have shown no significant increase in credit risk since the origination date. For these customers, we form a provision for expected losses (ECL) in the next 12 months.

##### Stage 2: lifetime ECL not credit impaired (categories II-V)

We form a provision for stage 2 customers based on losses expected until maturity (lifetime ECL). A customer is included in stage 2 if at least one of the following conditions applies:

##### II. A customer has been in arrears for more than 30 days

A customer is in arrears if the interest payment and/or redemption amount is past due one day after the agreed payment date (monthly payment arrangement) and exceeds

a threshold value. When a customer is past due for more than 30 days, the loan is transferred to stage 2.

As far as the day count is concerned, we check a total amount in arrears against absolute and relative thresholds. In the case of a private obligor, the counting starts when the total amount in arrears exceeds € 100 and is higher than 1% of total outstanding exposure for days past due. For business obligors and financial institutions, the absolute threshold is set at € 500, while the relative threshold is kept at 1%, the same level as for private obligors.

### III. The credit rating is subject to significant deterioration (SICR trigger), ensuing from the ECL models

For each individual portfolio, the ECL models determine when a customer's credit rating is subject to significant deterioration (Significant Increase in Credit Risk, SICR). For the residential mortgage portfolio this deterioration is assessed by comparing the current lifetime Probability of Default (PD) with the lifetime PD we assigned to the customer on the origination date. If the difference between the two exceeds a pre-defined threshold, the lifetime PD is considered to have significantly deteriorated and the customer is allocated to stage 2. If the customer's lifetime PD subsequently improves, the customer may be transferred back to stage 1, keeping the threshold in mind. The threshold is based on statistical methods.

For the other loan portfolios, a significant deterioration in credit risk is assessed as follows:

- In the SICR model for SME loans, customers are classified into PD buckets according to their individual credit rating calculated on the loan origination date. Depending on the PD bucket, the current credit rating may show a capped deterioration compared with the loan origination date.
- Consumer loans are assigned a rating. If this rating exceeds a pre-determined limit, the credit facility is allocated to stage 2.
- For customers in the ASN Bank portfolio, we assess whether the current PD shows that pre-determined relative and absolute limits are exceeded compared with the PD on the loan origination date. If this is the case, the loan will be allocated to stage 2.
- For the exposures in the Financial Markets portfolio, the current external credit rating and PD are used to assess whether there is a significant deterioration relative to the external credit rating and the PD upon initial recognition of the bond or loan. If pre-determined relative and absolute limits are exceeded, the bond or loan will be allocated to stage 2.

### IV. A forbearance measure is applied to one of the customer's contracts

Customers who have been subjected to a forbearance measure and who do not meet the prudential non-performing criteria are allocated to stage 2. This category

consists of:

- 1) customers who are subject to a forbearance measure but who have not yet been classified as non-performing, and
- 2) customers who were previously part of the prudential non-performing forbearance category (category VII) and were reclassified to the prudential performing forbearance category after a probation period of at least one year. Following a minimum probation period of two years, a customer is allocated to stage 1.

### V. Potentially very high-risk customers according to the AFM methodology adopted by de Volksbank

De Volksbank pays specific attention to retail customers with full or partial interest-only mortgage loans.

Mortgage loans with a high expected Loan-to-Value (LtV) and nearing maturity, retirement of the borrower or the end of tax deductibility of interest payments (i.e. time-to-event) are of higher potential risk due to an affordability and/or repayment problem at the said events. As part of our customer contact strategy, future affordability information is available from an increasing number of customers. The information from this affordability test is taken into account in the provision methodology to determine whether a customer should be classified as performing (stage 1), underperforming (stage 2) or non-performing (stage 3).

### Stage 3: lifetime ECL credit impaired (VI-VII)

If a customer is credit impaired, the loans provided are considered non-performing and allocated to stage 3. The provision is formed based on losses expected until maturity (lifetime ECL). A loan is credit impaired in the following situations:

### VI. Non-performing loans of customers without a forbearance measure

De Volksbank applies a specific definition of default to every portfolio for which loan loss provisions have to be determined. A default is considered to occur if at least one of the following conditions is met:

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

Examples of these UtP triggers are the following:

- suspension of payment
- bankruptcy
- fraud
- sale of the collateral by the Arrears Management department
- sale of the collateral with a residual debt
- potentially very high-risk interest-only mortgages with affordability under pressure



Customers only recover from the default status once the arrears have been repaid in full or the UtP triggers have lapsed, and a three-month probation period has expired.

#### VII. Non-performing loans of customers subject to a forbearance measure

In addition to loans in default, loans to customers - who are subject to a forbearance measure and who meet the prudential non-performing criteria - are allocated to stage 3. This is the case for forborne loans that were transferred to stage 2 after a one-year probation period in stage 3 and receive a new forbearance measure and/or later fall into arrears of 30 days.

#### Risk management of ECL models

We calculate the various risks in the aforementioned portfolios at customer level on a monthly basis by means of our credit risk models. Monitoring the development of the customer and the portfolio is essential if we make proper estimates of the loss expected. We have provisions in place for expected losses and we maintain capital for unexpected credit losses.

#### Model techniques

To arrive at the ECL models, we use various techniques for the individual portfolios.

#### Residential mortgages, SME loans and ASN Bank loan portfolio

We use the survival model technique for the residential mortgage loans, SME loans and the ASN Bank loan portfolio. This is a method to calculate the month-on-month Probability of Default (PD), Probability of Cure and Probability of Foreclosure. These models determine the creditworthiness of the customer over two periods: 1) a 12-month period; i.e. we calculate the probability of the customer defaulting on payments in the next 12 months (also known as the '12-month PD'), and 2) the remaining term of the loan; i.e. we calculate the probability of the customer defaulting on payments at any time during the remaining term of the loan (also known as the 'lifetime PD').

The total expected credit loss (ECL) is determined by multiplying customers' PDs with the amount of loss expected in case of default (LGD) and the customer's exposure at default (EAD).

#### Enhanced provisioning model

In 2023, a management overlay of € 24 million was recognised related to the revised risk segmentation matrix for Interest-only mortgages, which also resulted in a refinement of stage triggers used to determine the IFRS 9 expected credit losses. The refinements focus on the repayment risk at maturity for interest-only mortgages, which now is included at an earlier stage during the loan term. The increase in the provision for credit risk is identified as a change in estimate.

Furthermore, the modelled provision for credit losses includes a provision for interest-only mortgages, of which an amount of € 11 million relates to prior year.

In 2022, we made a change in estimate when determining the provisions for residential mortgages. The most important change was the implementation of the updated IFRS 9 Expected Credit Loss (ECL) model for residential mortgages, which contains model refinements i.a. with regard to interest-only mortgages. This had an increasing impact of € 29 million on the provision for credit risk as at 31 December 2022.

#### Consumer loans

We apply an expert-based model to determine stage allocation and provisioning for consumer loans, consisting of personal loans, revolving credit and overdraft facilities (credit limits on current accounts). The model calculates an individual PD at customer level and ranks consumer contracts from low to high risk based on risk parameters. These risk parameters include the registered arrears, use of the limit available and the date of origination. Contracts are then allocated to stages based on their credit ranking (rating). We use historical observations (default rates) to set an average PD for each stage, and the LGD is a result of the expert judgement based on historical data. We determine the ECL by multiplying the stage-dependent PD and product-specific LGD by the amount of the credit facility.

#### Financial Markets portfolio

For ECL of the Financial Markets portfolio, we use a model in which the PD is derived from spreads on Credit Default Swap (CDS) curves. Specific CDS curves have been selected for various portfolio components. The ECL is the sum of the cumulative PDs multiplied by the cumulative discounted cashflows multiplied by the LGD factor. ECL stage migration for underperforming financial instruments is based on numerical as well as qualitative triggers, such as significant increases in PD as well as three notch credit rating downgrades. These credit ratings originate from well-known rating agencies such as S&P and Moody's.

#### Forward-looking information

We use three scenarios in our provisions calculations, in which we also make forward-looking information available. The three scenarios describe the expected macroeconomic forecast (baseline scenario) as well as a downside and upside development. An independent team of macroeconomic experts estimates forward-looking trends based on various macroeconomic parameters for each scenario. In making these estimates, these experts also look at trends and forecasts of external parties, such as Eurostat, Statistics Netherlands (CBS) and the Netherlands Bureau for Economic Policy Analysis (CPB). All three scenarios describe a realistic development of the macroeconomy.

Weights are also assigned to the scenarios based on the probability of the scenario becoming a reality. The development of macroeconomic parameters is predicted four years ahead. After that period, the ECL models extrapolate the values of the macroeconomic variables to a long-term average. A 12-month ECL and a lifetime ECL are calculated for each of the three scenarios and for each customer, on a monthly basis. The scenario weights are used to calculate a weighted average 12-month ECL and a lifetime ECL.

For residential mortgages, we use the following macroeconomic parameters: the relative change in house prices i.e. the house price index, and the unemployment rate. For SME loans, we use the unemployment rate and the number of bankruptcies. In the model for consumer loans, we only use the unemployment rate as a macroeconomic parameter. All macroeconomic parameters of the ECL models for residential mortgages, consumer loans and SME loans are related to the developments in the Netherlands. In the Financial Markets and ASN Bank ECL model, the macroeconomic impact is incorporated in the CDS curves used.

The Asset and Liability Committee (ALCO) approves the scenarios and the corresponding weights. The scenarios that are used to determine the provisions are also used to draw up our Operational Plan. The scenarios and the weights are assessed on a quarterly basis and adjusted where necessary.

The parameters used in the three scenarios are presented in [Section 4.4.5 Figures, ratios and trends](#) in the IAR 2023.

### Write-off

When writing off a loan, we make a distinction between the waiver of amounts payable and the write-off of a residual debt. The following is a description of these terms:

1. Waiver of amounts payable: a (part of the) loan is written off if the waiver of amounts payable leads to the customer's recovery. The consequence of this is that the customer can meet his or her payment obligations again. Waivers of amounts payable are debited to the credit provision;
2. Write-off of residual debt: there may be a residual debt as a result of a recovery process. This residual debt is fully provisioned for. Any collateral is realised during a period of 6 months after the execution process. After this period, any remaining debt is written off.

### Management overlay

When the current credit-related dynamics in the macroeconomic environment are not part of our credit risk models, management judgement is applied through a management overlay. We have identified uncertainties, such as inflation and a strong interest increase, and new elements have therefore been introduced in the

management overlay for residential mortgages and the SME loans. A management overlay is applied to reflect credit risk dynamics not captured by our credit risk models and is a temporary adjustment in the provision for credit risks until a long-term solution (e.g. a model adjustment) is effective. The management overlay does not result in stage transfers in terms of exposure or provision (ECL). For more information, please refer to [Section 4.4.5 Figures, ratios and trends](#) in the IAR 2023.

There is no management overlay in place for consumer loans, nor for other corporate and government loans. De Volksbank reviews the elements of the management overlay at least every quarter.

### Credit risk in capital adequacy

To determine capital requirements for credit risk of residential mortgages, de Volksbank uses the Advanced Internal Ratings-based (AIRB) approach. The AIRB approach measures credit risk by using internal models for the calculation of PD and LGD.

For the other exposures, risk-weighted assets are determined according to the Standardised Approach (SA).

### Definition of Default (DoD)

As from 31 December 2021, we have implemented a uniform definition of default (DoD) for all credit exposures, which is aligned to the Regulatory Capital CRR Article 178. A default is considered to occur if at least one of the following conditions is met:

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

#### 4.4.5 Figures, ratios and trends Audited

##### Credit risk exposure

The following table presents the credit risk exposure based on the Exposure at Default (EAD) from the regulatory report (see also Section 4.8.4 Figures, ratios and trends - Risk-weighted assets). The provisions have been deducted from the receivables, but any collateral or other credit risk mitigating instruments have been disregarded.

##### Credit risk exposure Audited

| in € millions  | 2023                  |                             |               | 2022                  |                             |               |
|--|-----------------------|-----------------------------|---------------|-----------------------|-----------------------------|---------------|
|  | Gross carrying amount | Provision for credit losses | Book value    | Gross carrying amount | Provision for credit losses | Book value    |
| Cash and cash equivalents  | 5,891                 | --                          | 5,891         | 8,011                 | --                          | 8,011         |
| Derivatives  | 2,544                 | --                          | 2,544         | 3,302                 | --                          | 3,302         |
| Investments  | 6,740                 | -7                          | 6,733         | 5,598                 | -7                          | 5,591         |
| Loans and advances to banks  | 4,675                 | -4                          | 4,671         | 6,889                 | -5                          | 6,884         |
| Loans and advances to customers  | 51,029                | -182                        | 50,847        | 49,120                | -154                        | 48,966        |
| Other assets   | 283                   | --                          | 283           | 249                   | --                          | 249           |
| <b>Total financial assets</b>  | <b>71,162</b>         | <b>-193</b>                 | <b>70,969</b> | <b>73,169</b>         | <b>-166</b>                 | <b>73,003</b> |
| IFRS fair value adjustments <sup>1</sup>                                       | 1,316                 |                             | 1,316         | 2,040                 |                             | 2,040         |
| <b>Total items not subject to credit risk exposure</b>                         | <b>1,316</b>          |                             | <b>1,316</b>  | <b>2,040</b>          |                             | <b>2,040</b>  |
| <b>On-balance sheet exposure to credit risk (IFRS)</b>                         | <b>72,478</b>         | <b>-193</b>                 | <b>72,285</b> | <b>75,209</b>         | <b>-166</b>                 | <b>75,043</b> |
| Loan commitments given   | 2,204                 | -8                          | 2,196         | 2,204                 | -10                         | 2,194         |
| Repurchase commitment <sup>2</sup>   | 287                   | --                          | 287           | 394                   | --                          | 394           |
| Financial guarantees given   | 4                     | --                          | 4             | 5                     | --                          | 5             |
| Conditionally revocable credit facilities                                      | 367                   | -3                          | 364           | 395                   | -4                          | 391           |
| <b>Off-balance sheet exposure to credit risk (IFRS)</b>                        | <b>2,862</b>          | <b>-11</b>                  | <b>2,851</b>  | <b>2,998</b>          | <b>-14</b>                  | <b>2,984</b>  |
| <b>Maximum exposure to credit risk</b>   | <b>75,340</b>         | <b>-204</b>                 | <b>75,136</b> | <b>78,207</b>         | <b>-180</b>                 | <b>78,027</b> |
| Other assets <sup>3</sup>  | 91                    | --                          | 91            | 152                   | --                          | 152           |
| Valuation adjustments <sup>4</sup>   |                       |                             | -2,197        |                       |                             | -3,326        |
| Recalculation off-balance credit facilities and guarantees to EAD <sup>5</sup> |                       |                             | -711          |                       |                             | -735          |
| Adjustment for AIRB provisions   |                       |                             | 118           |                       |                             | 98            |
| Other differences <sup>6</sup>   |                       |                             | -40           |                       |                             | -35           |
| <b>Total Exposures at Default</b>  |                       |                             | <b>72,397</b> |                       |                             | <b>74,181</b> |
| Credit risk RWA/Total Exposure at Default                                      |                       |                             | 20.1%         |                       |                             | 17.4%         |

<sup>1</sup> Consist of fair value adjustments from hedge accounting and amortisations.

<sup>2</sup> For more information, please refer to Note 20 Contingent liabilities and commitments to the consolidated financial statements.

<sup>3</sup> Assets that are not subject to ECL according to IFRS.

<sup>4</sup> Consists mainly of the balance of netting derivative positions and an add-on for potential future exposure and credit risk mitigating items (particularly collateral).

<sup>5</sup> Off-balance sheet commitments are converted into EAD using a conversion factor.

<sup>6</sup> Consists mainly of debt securities subject to market risk.

The maximal exposure to credit risk decreased over the course of 2023 from € 78.0 billion to € 75.1 billion. Representing 72% of the total, the loans and advances to customers category is the largest on the balance sheet. Therefore, in order to provide a meaningful view of the credit risk of our loan portfolio, the remainder of this section mainly relates to the loans and advances to customers.

Cash and balances at central banks includes DNB deposits and loans and advances to credit institutions with a remaining maturity of less than one month. For more information, please refer to Note 2 Cash and balances at central banks to the consolidated financial statements.

The derivatives position mainly ensues from the hedging of the interest rate risk in the banking book, including the securitisation programmes. For more information about derivatives please refer to Note 3 Derivatives and Note 4 Hedging and hedge accounting to the consolidated financial statements.

Investments mainly consist of government bonds of EU Member States. For more information, please refer to Note 5 Investments to the consolidated financial statements.

Loans and advances to banks were down from year-end 2022, mainly driven by liquidity management actions. For more information, please refer to Note 6 Loans and advances to banks to the consolidated financial statements.

### Main developments in 2023

In 2023, gross loans and advances to customers rose by € 1.9 billion to € 51.0 billion. Fair value adjustments from hedge accounting increased by € 0.7 billion due to the decrease in interest rates. Excluding the fair value adjustments and amortisations, gross growth amounted to € 1.2 billion. Gross residential mortgage loans grew by € 0.9 billion.

In addition, the total outstanding amount of SME loans went up by € 150 million and other corporate and government loans by € 101 million, while consumer loans decreased by € 5 million.

The credit quality of the total loans and advances to customers remained virtually unchanged. Loans and advances in arrears as a percentage of total loans was 0.8%, slightly higher compared to year-end 2022 and the stage 3 ratio remained unchanged at 1.1%. The stage 2 ratio for residential mortgages did go up, mainly attributable to an increase in stage 2 interest-only mortgages and increased Loan to Values (LtVs). The amounts of incurred losses due to write-offs remained low in all portfolios.

The provision for credit losses increased to € 193 million (year-end 2022: € 168 million), mostly due an increase in the modelled provision, in particular for

interest-only mortgages, which also includes an effect of € 11 million related to prior year, and due to additional provisions for a few individual corporate loans.

For more details on the provision for credit losses, see the Section Management overlay and the Sections per portfolio later in this Section Credit risk.

### Loans and advances to customers by category and region

| in € millions   | 2023                  |                             |               | 2022                  |                             |               |
|---|-----------------------|-----------------------------|---------------|-----------------------|-----------------------------|---------------|
|   | Gross carrying amount | Provision for credit losses | Book value    | Gross carrying amount | Provision for credit losses | Book value    |
| Residential mortgages   | 47,885 <sup>1</sup>   | -118                        | 47,767        | 46,232 <sup>1</sup>   | -98                         | 46,134        |
| Consumer loans  | 59                    | -8                          | 51            | 54                    | -9                          | 45            |
| <b>Exposure retail loans</b>  | <b>47,944</b>         | <b>-126</b>                 | <b>47,818</b> | <b>46,286</b>         | <b>-107</b>                 | <b>46,179</b> |
| SME loans   | 1,235                 | -22                         | 1,213         | 1,085                 | -24                         | 1,061         |
| Other corporate and government loans  | 1,850                 | -34                         | 1,816         | 1,749                 | -23                         | 1,726         |
| <b>Total loans and advances to customers</b>                                    | <b>51,029</b>         | <b>-182</b>                 | <b>50,847</b> | <b>49,120</b>         | <b>-154</b>                 | <b>48,966</b> |
| Off-balance sheet items   | 2,862                 | -11                         | 2,851         | 2,998                 | -14                         | 2,984         |
| <b>Total on and off-balance sheet items for loans and advances to customers</b> | <b>53,891</b>         | <b>-193</b>                 | <b>53,698</b> | <b>52,118</b>         | <b>-168</b>                 | <b>51,950</b> |

<sup>1</sup> Including IFRS value adjustments of € 1,316 million negative (2022: € 2,040 million negative), consisting of fair value adjustments from hedge accounting and amortisations.

### Loans and advances by region

| Book value in € millions  | 2023          | 2022          |
|---------------------------|---------------|---------------|
| The Netherlands           | 49,798        | 48,014        |
| EMU excl. the Netherlands | 726           | 661           |
| Other                     | 323           | 291           |
| <b>Total</b>              | <b>50,847</b> | <b>48,966</b> |

Loans and advances to customers by stage Audited

| in € millions   | 2023                  |                             |               |              |                | 2022                  |                             |               |              |                |
|---|-----------------------|-----------------------------|---------------|--------------|----------------|-----------------------|-----------------------------|---------------|--------------|----------------|
|   | Gross carrying amount | Provision for credit losses | Book value    | Stage ratio  | Coverage ratio | Gross carrying amount | Provision for credit losses | Book value    | Stage ratio  | Coverage ratio |
| <b>Stage 1</b>  |                       |                             |               |              |                |                       |                             |               |              |                |
| Residential mortgages   | 46,138                | -37                         | 46,101        | 93.8%        | 0.1%           | 45,499                | -38                         | 45,461        | 94.3%        | 0.1%           |
| Consumer loans  | 18                    | --                          | 18            | 30.5%        | 0.0%           | 22                    | --                          | 22            | 40.7%        | 0.0%           |
| SME loans   | 1,069                 | -5                          | 1,064         | 86.6%        | 0.5%           | 933                   | -6                          | 927           | 86.0%        | 0.6%           |
| Other corporate and government loans  | 1,746                 | -2                          | 1,744         | 94.4%        | 0.1%           | 1,665                 | -1                          | 1,664         | 95.2%        | 0.1%           |
| <b>Total loans and advances to customers stage 1</b>                            | <b>48,971</b>         | <b>-44</b>                  | <b>48,927</b> | <b>93.6%</b> | <b>0.1%</b>    | <b>48,119</b>         | <b>-45</b>                  | <b>48,074</b> | <b>94.1%</b> | <b>0.1%</b>    |
| <b>Stage 2</b>  |                       |                             |               |              |                |                       |                             |               |              |                |
| Residential mortgages   | 2,590                 | -39                         | 2,551         | 5.3%         | 1.5%           | 2,320                 | -31                         | 2,289         | 4.8%         | 1.3%           |
| Consumer loans  | 33                    | -1                          | 32            | 55.9%        | 3.0%           | 23                    | -1                          | 22            | 42.6%        | 4.3%           |
| SME loans   | 127                   | -9                          | 118           | 10.3%        | 7.1%           | 106                   | -7                          | 99            | 9.8%         | 6.6%           |
| Other corporate and government loans  | 66                    | -1                          | 65            | 3.6%         | 1.5%           | 43                    | --                          | 43            | 2.5%         | 0.0%           |
| <b>Total loans and advances to customers stage 2</b>                            | <b>2,816</b>          | <b>-50</b>                  | <b>2,766</b>  | <b>5.4%</b>  | <b>1.8%</b>    | <b>2,492</b>          | <b>-39</b>                  | <b>2,453</b>  | <b>4.9%</b>  | <b>1.6%</b>    |
| <b>Stage 3</b>  |                       |                             |               |              |                |                       |                             |               |              |                |
| Residential mortgages   | 473                   | -42                         | 431           | 1.0%         | 8.9%           | 453                   | -29                         | 424           | 0.9%         | 6.4%           |
| Consumer loans  | 8                     | -7                          | 1             | 13.6%        | 87.5%          | 9                     | -8                          | 1             | 16.7%        | 88.9%          |
| SME loans   | 39                    | -8                          | 31            | 3.2%         | 20.5%          | 46                    | -11                         | 35            | 4.2%         | 23.9%          |
| Other corporate and government loans  | 38                    | -31                         | 7             | 2.1%         | 81.6%          | 41                    | -22                         | 19            | 2.3%         | 53.7%          |
| <b>Total loans and advances to customers stage 3</b>                            | <b>558</b>            | <b>-88</b>                  | <b>470</b>    | <b>1.1%</b>  | <b>15.8%</b>   | <b>549</b>            | <b>-70</b>                  | <b>479</b>    | <b>1.1%</b>  | <b>12.8%</b>   |
| <b>Total stage 1, 2 and 3</b>   |                       |                             |               |              |                |                       |                             |               |              |                |
| Residential mortgages   | 49,201                | -118                        | 49,083        |              | 0.2%           | 48,272                | -98                         | 48,174        |              | 0.2%           |
| Consumer loans  | 59                    | -8                          | 51            |              | 13.6%          | 54                    | -9                          | 45            |              | 16.7%          |
| SME loans <sup>1</sup>  | 1,235                 | -22                         | 1,213         |              | 1.8%           | 1,085                 | -24                         | 1,061         |              | 2.2%           |
| Other corporate and government loans  | 1,850                 | -34                         | 1,816         |              | 1.8%           | 1,749                 | -23                         | 1,726         |              | 1.3%           |
| <b>Total loans and advances to customers excluding IFRS value adjustments</b>   | <b>52,345</b>         | <b>-182</b>                 | <b>52,163</b> |              | <b>0.3%</b>    | <b>51,160</b>         | <b>-154</b>                 | <b>51,006</b> |              | <b>0.3%</b>    |
| IFRS value adjustments <sup>2</sup>   | -1,316                |                             | -1,316        |              |                | -2,040                |                             | -2,040        |              |                |
| <b>Total loans and advances to customers</b>                                    | <b>51,029</b>         | <b>-182</b>                 | <b>50,847</b> |              | <b>0.4%</b>    | <b>49,120</b>         | <b>-154</b>                 | <b>48,966</b> |              | <b>0.3%</b>    |
| Off-balance sheet items stage 1   | 2,772                 | -3                          | 2,769         |              | 0.1%           | 2,938                 | -8                          | 2,930         |              | 0.3%           |
| Off-balance sheet items stage 2   | 76                    | -3                          | 73            |              | 3.9%           | 47                    | -2                          | 45            |              | 4.3%           |
| Off-balance sheet items stage 3   | 14                    | -5                          | 9             |              | 35.7%          | 13                    | -4                          | 9             |              | 30.8%          |
| <b>Total off-balance sheet items<sup>3</sup></b>                                | <b>2,862</b>          | <b>-11</b>                  | <b>2,851</b>  |              | <b>0.4%</b>    | <b>2,998</b>          | <b>-14</b>                  | <b>2,984</b>  |              | <b>0.5%</b>    |
| <b>Total on and off-balance sheet items for loans and advances to customers</b> | <b>53,891</b>         | <b>-193</b>                 | <b>53,698</b> |              | <b>0.4%</b>    | <b>52,118</b>         | <b>-168</b>                 | <b>51,950</b> |              | <b>0.3%</b>    |

<sup>1</sup> Gross SME loans include mortgage-backed loans for a gross amount of € 1,201 million (31-12-2022: € 1,051 million).

<sup>2</sup> Consist of fair value adjustments from hedge accounting and amortisations.

<sup>3</sup> Consist of off-balance sheet facilities (of which € 367 million conditionally revocable; 31-12-2022: € 395 million), guarantees and repurchase commitments.

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

| in € millions  | Residential mortgages <sup>1</sup> |               | Consumer loans |           | SME loans    |              | Other corporate and government loans |              | Total loans   |               |
|--|------------------------------------|---------------|----------------|-----------|--------------|--------------|--------------------------------------|--------------|---------------|---------------|
|  | 2023                               | 2022          | 2023           | 2022      | 2023         | 2022         | 2023                                 | 2022         | 2023          | 2022          |
| <b>Opening balance</b>                               | <b>46,232</b>                      | <b>48,018</b> | <b>54</b>      | <b>52</b> | <b>1,085</b> | <b>830</b>   | <b>1,749</b>                         | <b>1,777</b> | <b>49,120</b> | <b>50,677</b> |
| Originated or purchased <sup>2</sup>                 | 5,090                              | 7,417         | 15             | 12        | 260          | 321          | 5,976                                | 4,868        | 11,341        | 12,618        |
| Change in current accounts                           | --                                 | --            | -4             | -5        | 13           | -27          | 13                                   | 8            | 22            | -24           |
| Matured or sold <sup>2</sup>                         | -4,274                             | -6,364        | -4             | -3        | -123         | -39          | -5,910                               | -4,923       | -10,311       | -11,329       |
| Write-offs   | --                                 | -1            | -2             | -1        | -1           | -1           | --                                   | --           | -3            | -3            |
| Change in fair value as a result of hedge accounting | 690                                | -2,863        | --             | --        | --           | --           | --                                   | -1           | 690           | -2,864        |
| Amortisations  | 33                                 | 13            | --             | --        | --           | --           | --                                   | --           | 33            | 13            |
| Exchange rate differences                            | --                                 | --            | --             | --        | --           | --           | 20                                   | 21           | 20            | 21            |
| Other movements <sup>3</sup>                         | 114                                | 12            | --             | -1        | 1            | 1            | 2                                    | -1           | 117           | 11            |
| <b>Closing balance</b>                               | <b>47,885</b>                      | <b>46,232</b> | <b>59</b>      | <b>54</b> | <b>1,235</b> | <b>1,085</b> | <b>1,850</b>                         | <b>1,749</b> | <b>51,029</b> | <b>49,120</b> |

1 Including IFRS value adjustments and amortisations.

2 Other corporate and government loans include short-term deposits with governments and pension funds in particular, with the advances and repayments being administered on a daily basis.

3 Other movements 2023 include for residential mortgages the repurchase of DBV mortgages from SRLEV for an amount of € 78 million.

Changes in the provision for credit losses Audited

| in € millions  | Residential mortgages |           | Consumer loans |           | SME loans |           | Other corporate and government loans |           | Total loans |            | Off-balance sheet items <sup>1</sup> |           |
|--|-----------------------|-----------|----------------|-----------|-----------|-----------|--------------------------------------|-----------|-------------|------------|--------------------------------------|-----------|
|  | 2023                  | 2022      | 2023           | 2022      | 2023      | 2022      | 2023                                 | 2022      | 2023        | 2022       | 2023                                 | 2022      |
| <b>Opening balance</b>                                 | <b>98</b>             | <b>73</b> | <b>9</b>       | <b>10</b> | <b>24</b> | <b>23</b> | <b>23</b>                            | <b>1</b>  | <b>154</b>  | <b>107</b> | <b>14</b>                            | <b>13</b> |
| Transfer to stage 1                                    | -6                    | -3        | --             | --        | -3        | -3        | -1                                   | --        | -10         | -6         | --                                   | --        |
| Transfer to stage 2                                    | 6                     | 4         | --             | -1        | 2         | 2         | 1                                    | --        | 9           | 5          | 1                                    | -1        |
| Transfer to stage 3                                    | 15                    | 4         | 1              | 1         | 1         | 2         | 9                                    | 22        | 26          | 29         | --                                   | 1         |
| Change in credit risk                                  | 4                     | -2        | --             | --        | -1        | 1         | --                                   | --        | 3           | -1         | -4                                   | -1        |
| Originated or purchased                                | 4                     | 11        | --             | 1         | 2         | 3         | 2                                    | --        | 8           | 15         | 3                                    | 3         |
| Matured or sold  | -9                    | -1        | --             | -1        | -1        | -2        | --                                   | --        | -10         | -4         | -1                                   | -1        |
| Change in models                                       | --                    | 28        | --             | --        | --        | --        | --                                   | --        | --          | 28         | --                                   | 1         |
| Change in management overlay                           | 6                     | -15       | --             | --        | -1        | -1        | --                                   | --        | 5           | -16        | -2                                   | -1        |
| <b>Impairment charges (releases)</b>                   | <b>20</b>             | <b>26</b> | <b>1</b>       | <b>--</b> | <b>-1</b> | <b>2</b>  | <b>11</b>                            | <b>22</b> | <b>31</b>   | <b>50</b>  | <b>-3</b>                            | <b>1</b>  |
| Write-offs   | --                    | -1        | -2             | -1        | -1        | -1        | --                                   | --        | -3          | -3         | --                                   | --        |
| <b>Closing balance</b>                                 | <b>118</b>            | <b>98</b> | <b>8</b>       | <b>9</b>  | <b>22</b> | <b>24</b> | <b>34</b>                            | <b>23</b> | <b>182</b>  | <b>154</b> | <b>11</b>                            | <b>14</b> |
| <i>Of which:</i>                                       |                       |           |                |           |           |           |                                      |           |             |            |                                      |           |
| <i>management overlay</i>                              | 48                    | 42        | --             | --        | 3         | 4         | --                                   | --        | 51          | 46         | 3                                    | 5         |
| Impairment charges (releases)                          | 20                    | 26        | 1              | --        | -1        | 2         | 11                                   | 22        | 31          | 50         | -3                                   | 1         |
| Recoveries and other charges through P&L               | -9                    | -10       | -2             | -2        | --        | --        | --                                   | --        | -11         | -12        | --                                   | --        |
| <b>Total impairment charges (releases)<sup>2</sup></b> | <b>11</b>             | <b>16</b> | <b>-1</b>      | <b>-2</b> | <b>-1</b> | <b>2</b>  | <b>11</b>                            | <b>22</b> | <b>20</b>   | <b>38</b>  | <b>-3</b>                            | <b>1</b>  |

1 Off-balance sheet: liabilities from irrevocable facilities, guarantees and repurchase commitments. The provision for credit losses of off-balance sheet items is reported in Provisions.

2 The total impairment charges (releases) for the period excludes charges (releases) for loans and advances to banks, investments and others, these amount to a release of € 1 million (2022: € 13 million charge).

## Management overlay

### Modelled provision and management overlay<sup>1</sup> Audited

| in € millions                        | 2023                                 |                                 |                                   | 2022                                 |                                 |                                   |
|--------------------------------------|--------------------------------------|---------------------------------|-----------------------------------|--------------------------------------|---------------------------------|-----------------------------------|
|                                      | Modelled provision for credit losses | Management overlay <sup>2</sup> | Total provision for credit losses | Modelled provision for credit losses | Management overlay <sup>2</sup> | Total provision for credit losses |
| Residential mortgages                | 73                                   | 51                              | 124                               | 59                                   | 47                              | 106                               |
| Consumer loans                       | 11                                   | --                              | 11                                | 13                                   | --                              | 13                                |
| SME loans                            | 20                                   | 3                               | 23                                | 21                                   | 4                               | 25                                |
| Other corporate and government loans | 35                                   | --                              | 35                                | 24                                   | --                              | 24                                |
| <b>Total</b>                         | <b>139</b>                           | <b>54</b>                       | <b>193</b>                        | <b>117</b>                           | <b>51</b>                       | <b>168</b>                        |

<sup>1</sup> Including the provision for credit losses for off-balance sheet items.

<sup>2</sup> Post-model adjustments

When credit-related dynamics in the macroeconomic environment are not part of our credit risk models, we apply a management overlay. This overlay increased to € 54 million (year-end 2022: € 51 million).

The management overlay concerning residential mortgages increased to € 51 million (year-end 2022: € 47 million). This rise was mainly driven by the increased risk of the interest-only mortgage portfolio, resulting in an increase from € 8 million to € 34 million. The refinements focussed on the repayment risk at maturity for interest-only mortgages, which now is included at an earlier stage during the loan term. Furthermore, we added a € 1 million management overlay to cover the risk of higher interest rates.

The additions to the management overlay were offset by the complete release of the management overlay to cover the risk of lower house prices due to the upward revision of the house price index (HPI) in our macroeconomic forecasts (€ 4 million at year-end 2022). Furthermore, the management overlay to account for the risk of high inflation decreased to € 9 million (year-end 2022: € 24 million). This overlay was refined and now better targets customers that are more vulnerable to inflation. Despite having more customers in scope, the overlay decreased due to lower estimated losses in case of these specific customer groups running into financial difficulties. Finally, the overlay for other model limitations decreased from € 11 million to € 7 million.

We performed an initial assessment of the potential impact of drought and flooding on credit risk and concluded the impact to be immaterial. As the estimate is accompanied by various uncertainties and only limited information is available, we concluded not to recognise a management overlay as per year-end 2023. In the period ahead, we will refine our methodology and assessments.

For 2023 we maintained a general management overlay of € 3 million for SME customers who might be affected by high inflation (year-end 2022: € 4 million).

## Macroeconomic scenarios and sensitivity

### Macroeconomic scenarios used in credit risk models

The macroeconomic scenarios focus on the ECB's interest rate policy and the resulting monetary and financing conditions, leaving economic growth subpar in the coming quarters and picking up only slightly later in 2024. Trend growth will be reached no earlier than in 2025. In view of the better-than-expected inflation figures and the unanimous ECB decision in October 2023 to keep rates stable, the risk of the ECB raising rates too far - and causing a rather severe recession (the downward scenario) - has decreased. For that reason, the weight of the downward scenario was lowered by 5 percentage points to 35% in the second half of 2023, after a 5 percentage points increase in the first half due to turbulence in the financial industry.

The upward scenario is based on the assumption that Europe's energy markets will become calmer as negotiations between Russia and Ukraine lead to the concrete prospect of a prolonged truce between the countries. Energy prices will fall gradually and the resulting acceleration of GDP growth will lead to economic overheating, fuelling underlying inflation. However, as some kind of political agreement between Russia and Ukraine seemed increasingly difficult to agree, the weight of the upward scenario was lowered by 5 percentage points to 10%. Whereas the weight of the base scenario was increased 5 percentage points to 55%.

In the baseline scenario the unemployment rate will rise only moderately in 2024 due to the tight labour market, despite the Dutch economy's poor GDP performance. House prices are set to stage a recovery as mortgage rates are not expected to rise any further, underpinning confidence among home buyers, whereas stronger wage growth will improve housing affordability.

### 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 at year-end 2023 and 2022 to the upward, baseline and downward scenario weights, keeping the management overlay parameters unchanged. Looking at the different scenarios as at 31 December 2023, assuming a 100% weighting, we see that the provision for residential mortgages would increase by € 33 million in a downward scenario, decrease by € 29 million in an upward scenario and decrease by € 16 million in a baseline scenario. The large decrease in the upward scenario, as well as the

increase in the downward scenario - compared to actual provisioning levels - can be explained by the gap in the HPI between the upward and downward scenario and by the weights used. The baseline scenario is weighted for 55% and the downward scenario for 35%, leaving the upward scenario with a weight of 10%.

The sensitivity to macroeconomic projections on the loan loss provisions for SME loans is less significant. The provision for SME loans would increase by € 2 million in a downward scenario, decrease by € 1 million in an upward scenario and remain

virtually unchanged in a baseline scenario, again assuming a 100% weighting of the respective scenarios.

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

**Sensitivity to the scenario weights as at 31 December 2023<sup>1</sup>** Audited

|                              | Macroeconomic parameter              | 2023  | 2024  | 2025  | 2026 | 2027 | Weight | Unweighted ECL | Reported ECL               |
|------------------------------|--------------------------------------|-------|-------|-------|------|------|--------|----------------|----------------------------|
| <b>Residential mortgages</b> |                                      |       |       |       |      |      |        |                |                            |
| Up                           | Relative change in house price index | 0.1%  | 4.3%  | 4.0%  | 3.6% | 3.6% | 10%    | € 95 million   | € 124 million <sup>2</sup> |
|                              | Unemployment rate                    | 3.7%  | 3.9%  | 3.6%  | 3.7% | 3.7% |        |                |                            |
| Base                         | Relative change in house price index | 0.1%  | 1.4%  | 2.6%  | 3.6% | 3.6% | 55%    | € 108 million  |                            |
|                              | Unemployment rate                    | 3.7%  | 4.2%  | 4.5%  | 4.5% | 4.5% |        |                |                            |
| Down                         | Relative change in house price index | -1.2% | -3.9% | -1.0% | 3.6% | 3.6% | 35%    | € 157 million  |                            |
|                              | Unemployment rate                    | 4.2%  | 5.5%  | 5.6%  | 5.4% | 5.3% |        |                |                            |
| <b>SME loans</b>             |                                      |       |       |       |      |      |        |                |                            |
| Up                           | Unemployment rate                    | 3.7%  | 3.9%  | 3.6%  | 3.7% | 3.7% | 10%    | € 22 million   |                            |
|                              | Number of bankruptcies (monthly)     | 304   | 358   | 359   | 358  | 355  |        |                |                            |
| Base                         | Unemployment rate                    | 3.7%  | 4.2%  | 4.5%  | 4.5% | 4.5% | 55%    | € 23 million   |                            |
|                              | Number of bankruptcies (monthly)     | 316   | 443   | 486   | 486  | 482  |        |                |                            |
| Down                         | Unemployment rate                    | 4.2%  | 5.5%  | 5.6%  | 5.4% | 5.3% | 35%    | € 25 million   |                            |
|                              | Number of bankruptcies (monthly)     | 325   | 514   | 640   | 649  | 644  |        |                |                            |

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

<sup>2</sup> Including the provision for credit losses for off-balance sheet items.



Sensitivity to the scenario weights as at 31 December 2022<sup>1</sup> Audited

|                              | Macroeconomic parameter              | 2022 | 2023  | 2024 | 2025 | 2026 | Weight | Unweighted ECL | Reported ECL               |
|------------------------------|--------------------------------------|------|-------|------|------|------|--------|----------------|----------------------------|
| <b>Residential mortgages</b> |                                      |      |       |      |      |      |        |                |                            |
| Up                           | Relative change in house price index | 7.0% | 0.9%  | 4.0% | 3.8% | 3.8% | 15%    | € 71 million   | € 106 million <sup>2</sup> |
|                              | Unemployment rate                    | 3.7% | 3.9%  | 3.9% | 3.9% | 3.9% |        |                |                            |
| Base                         | Relative change in house price index | 4.5% | -5.6% | 4.1% | 3.8% | 3.8% | 50%    | € 96 million   |                            |
|                              | Unemployment rate                    | 4.0% | 4.6%  | 4.2% | 4.2% | 4.2% |        |                |                            |
| Down                         | Relative change in house price index | 3.2% | -9.9% | 1.8% | 3.8% | 3.8% | 35%    | € 135 million  |                            |
|                              | Unemployment rate                    | 4.2% | 6.3%  | 6.5% | 5.4% | 4.5% |        |                |                            |
| <b>SME loans</b>             |                                      |      |       |      |      |      |        |                |                            |
| Up                           | Unemployment rate                    | 3.7% | 3.9%  | 3.9% | 3.9% | 3.9% | 15%    | € 23 million   |                            |
|                              | Number of bankruptcies (monthly)     | 189  | 267   | 310  | 328  | 326  |        |                |                            |
| Base                         | Unemployment rate                    | 4.0% | 4.6%  | 4.2% | 4.2% | 4.2% | 50%    | € 24 million   |                            |
|                              | Number of bankruptcies (monthly)     | 195  | 396   | 459  | 469  | 466  |        |                |                            |
| Down                         | Unemployment rate                    | 4.2% | 6.3%  | 6.5% | 5.4% | 4.5% | 35%    | € 27 million   |                            |
|                              | Number of bankruptcies (monthly)     | 196  | 471   | 614  | 643  | 638  |        |                |                            |

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

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

### Forborne exposures

Forbearance is the process of granting measures towards a customer that is experiencing or about to experience financial difficulties in meeting its financial commitments. The purpose of forbearance is to maintain the debtor relationship and give a customer room to meet its obligations to the bank. A summary of our current policies and practices for forbearance is set out in [4.4.4 Provisioning methodology](#).

#### Forborne assets as at 31 December 2023

| in € millions                         | Gross carrying amount forborne assets |                        |              | Provision for credit losses forborne assets |                        |            |
|---------------------------------------|---------------------------------------|------------------------|--------------|---|------------------------|------------|
|                                       | Non-                                  |                        | Total        | Non-  |                        | Total      |
|                                       | Performing (= stage 2)                | performing (= stage 3) |              | Performing (= stage 2)                      | performing (= stage 3) |            |
| Residential mortgages                 | 765                                   | 259                    | 1,024        | -12   | -27                    | -39        |
| Other consumer loans                  | 1                                     | 5                      | 6            | --  | -4                     | -4         |
| SME loans                             | 31                                    | 21                     | 52           | -2  | -4                     | -6         |
| Other commercial and government loans | --                                    | 38                     | 38           | --  | -31                    | -31        |
| <b>Total</b>                          | <b>797</b>                            | <b>323</b>             | <b>1,120</b> | <b>-14</b>                                  | <b>-66</b>             | <b>-80</b> |
| Off-balance sheet items               | 4                                     | 3                      | 7            | --  | -2                     | -2         |
| <b>Total</b>                          | <b>801</b>                            | <b>326</b>             | <b>1,127</b> | <b>-14</b>                                  | <b>-68</b>             | <b>-82</b> |

#### Forborne assets as at 31 December 2022

| in € millions                         | Gross carrying amount forborne assets |                        |              | Provision for credit losses forborne assets |                        |            |
|---------------------------------------|---------------------------------------|------------------------|--------------|---|------------------------|------------|
|                                       | Non-                                  |                        | Total        | Non-  |                        | Total      |
|                                       | Performing (= stage 2)                | performing (= stage 3) |              | Performing (= stage 2)                      | performing (= stage 3) |            |
| Residential retail mortgages          | 824                                   | 277                    | 1,101        | -11   | -19                    | -30        |
| Other consumer loans                  | 1                                     | 5                      | 6            | --  | -4                     | -4         |
| SME loans                             | 27                                    | 22                     | 49           | -1  | -4                     | -5         |
| Other commercial and government loans | --                                    | --                     | --           | --  | --                     | --         |
| <b>Total</b>                          | <b>852</b>                            | <b>304</b>             | <b>1,156</b> | <b>-12</b>                                  | <b>-27</b>             | <b>-39</b> |
| Off-balance sheet items               | 5                                     | 2                      | 7            | --  | -2                     | -2         |
| <b>Total</b>                          | <b>857</b>                            | <b>306</b>             | <b>1,163</b> | <b>-12</b>                                  | <b>-29</b>             | <b>-41</b> |

### 4.4.6 Risk mitigation

#### Offsetting

The bank offsets financial assets and liabilities and reports the net amount on the balance sheet if there is a legally enforceable right to offset the recognised amounts, and if there is an intention to settle the items on a net basis, or to settle the asset and the liability simultaneously. There is an enforceable right to offset amounts, provided it is not dependent on a future event and is legally enforceable under normal circumstances as well as in the case of bankruptcy. If these conditions are not met, amounts will not be offset.

#### Offsetting, netting, collateral and guarantees

The table below shows how exposures were offset, netted, collateralised and guaranteed as at year-end 2023 and 2022. The table discloses the potential effect of netting arrangements and collateral agreements on de Volksbank's financial position. We included the potential effect of rights of set-off related to de Volksbank's recognised financial assets and recognised financial liabilities.

The amounts eligible for offsetting pursuant to the International Swaps and Derivatives Association (ISDA) contracts are related to derivatives and amount to € 936 million (2022: € 807 million).

Financial assets and liabilities: offsetting, netting, collateral and guarantees as at 31 December 2023 Audited

| in € millions  | Gross carrying amount before balance sheet netting | Offsetting balance sheet values | Maximum exposure to credit risk | Not offset in the statement of financial position |                    |                 |                  |                    |                      | Net exposure  | Provision for credit losses |
|--|--|---------------------------------|---------------------------------|---|--------------------|-----------------|------------------|--------------------|----------------------|---------------|-----------------------------|
|  |  |                                 |                                 | Master netting agreements                         | Cash collateral    | Debt securities | Savings deposits | Immovable property | Financial guarantees |               |                             |
| Cash and cash equivalents                              | 5,891  |                                 | 5,891                           |   |                    |                 |                  |                    |                      | 5,891         |                             |
| Derivatives  | 2,544  |                                 | 2,544                           | 936 <sup>1</sup>                                  | 1,494 <sup>2</sup> |                 |                  |                    |                      | 114           |                             |
| Investments  | 6,740  |                                 | 6,740                           |   |                    |                 |                  |                    | 1,208                | 5,532         | -7                          |
| Loans and advances to banks                            | 4,675  |                                 | 4,675                           |   |                    |                 |                  |                    | 959                  | 3,716         | -4                          |
| <b>Loans and advances to customers</b>                 | <b>51,029</b>                                      |                                 | <b>51,029</b>                   |   |                    |                 | 1,734            | 48,488             | 267                  | <b>540</b>    | <b>-182</b>                 |
| - Residential mortgages                                | 49,201   |                                 | 49,201                          |   |                    |                 | 1,734            | 47,313             | 6 <sup>3</sup>       | 148           | -118                        |
| - Consumer loans                                       | 59   |                                 | 59                              |   |                    |                 |                  |                    |                      | 59            | -8                          |
| - SME loans  | 1,235  |                                 | 1,235                           |   |                    |                 |                  | 1,175              |                      | 60            | -22                         |
| - Other corporate and government loans                 | 1,850  |                                 | 1,850                           |   |                    |                 |                  |                    | 261                  | 1,589         | -34                         |
| - IFRS fair value adjustments <sup>4</sup>             | -1,316   |                                 | -1,316                          |   |                    |                 |                  |                    |                      | -1,316        |                             |
| Other assets   | 283  |                                 | 283                             |   |                    |                 |                  |                    |                      | 283           |                             |
| <b>Total financial assets</b>                          | <b>71,162</b>                                      | <b>--</b>                       | <b>71,162</b>                   | <b>936</b>  | <b>1,494</b>       | <b>--</b>       | <b>1,734</b>     | <b>48,488</b>      | <b>2,434</b>         | <b>16,076</b> | <b>-193</b>                 |
| Derivatives  | 1,121  |                                 | 1,121                           | 936 <sup>1</sup>                                  | 174 <sup>5</sup>   |                 |                  |                    |                      | 11            |                             |
| Amounts due to banks                                   | 1,947  |                                 | 1,947                           |   |                    | 100             |                  |                    |                      | 1,847         |                             |
| Other liabilities                                      | 63,775   |                                 | 63,775                          |   |                    |                 |                  |                    |                      | 63,775        |                             |
| <b>Total financial liabilities</b>                     | <b>66,843</b>                                      | <b>--</b>                       | <b>66,843</b>                   | <b>936</b>  | <b>174</b>         | <b>100</b>      | <b>--</b>        | <b>--</b>          | <b>--</b>            | <b>65,633</b> | <b>--</b>                   |
| Loan commitments given                                 | 2,204  |                                 | 2,204                           |   |                    |                 |                  | 797                |                      | 1,407         | -8                          |
| Other commitments (repurchase commitment) <sup>6</sup> | 287  |                                 | 287                             |   |                    |                 |                  | 287                |                      | --            | --                          |
| Financial guarantees                                   | 4  |                                 | 4                               |   | 4                  |                 |                  |                    |                      | --            | --                          |
| Conditionally revocable commitments                    | 367  |                                 | 367                             |   |                    |                 |                  |                    |                      | 367           | -3                          |
| <b>Total off-balance sheet</b>                         | <b>2,862</b>                                       | <b>--</b>                       | <b>2,862</b>                    | <b>--</b>   | <b>4</b>           | <b>--</b>       | <b>--</b>        | <b>1,084</b>       | <b>--</b>            | <b>1,774</b>  | <b>-11</b>                  |

1 Eligible for offsetting pursuant to the International Swap and Derivatives Association (ISDA).

2 This is the amount that can be offset against the net current credit exposure. The total cash collateral received amounted to € 1,536 million.

3 Guarantees for residential mortgages provided with a National Mortgage Guarantee (NHG) and an LTV > 100%.

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

5 This is the amount that can be offset against the net current credit exposure.

6 For more information please refer to Note 20 Contingent liabilities and commitments to the consolidated financial statements.

**Financial assets and liabilities: offsetting, netting, collateral and guarantees as at 31 December 2022** Audited

| in € millions  | Gross carrying amount before balance sheet netting | Offsetting balance sheet values | Maximum exposure to credit risk | Not offset in the statement of financial position |                    |                 |                  |                    |                      | Net exposure  | Provision for credit losses |
|--|--|---------------------------------|---------------------------------|---|--------------------|-----------------|------------------|--------------------|----------------------|---------------|-----------------------------|
|  |  |                                 |                                 | Master netting agreements                         | Cash collateral    | Debt securities | Savings deposits | Immovable property | Financial guarantees |               |                             |
| Cash and cash equivalents                              | 8,011  |                                 | 8,011                           |   |                    |                 |                  |                    |                      | 8,011         |                             |
| Derivatives  | 3,302  |                                 | 3,302                           | 807 <sup>1</sup>                                  | 2,438 <sup>2</sup> |                 |                  |                    |                      | 57            |                             |
| Investments  | 5,598  |                                 | 5,598                           |   |                    |                 |                  |                    | 951                  | 4,647         | -7                          |
| Loans and advances to banks                            | 6,889  |                                 | 6,889                           |   |                    |                 |                  |                    | 2,472                | 4,417         | -5                          |
| <b>Loans and advances to customers</b>                 | <b>49,120</b>                                      |                                 | <b>49,120</b>                   |   |                    |                 | <b>1,737</b>     | <b>47,437</b>      | <b>368</b>           | <b>-422</b>   | <b>-154</b>                 |
| - Residential mortgages                                | 48,272   |                                 | 48,272                          |   |                    |                 | 1,737            | 46,416             | 2 <sup>3</sup>       | 117           | -98                         |
| - Consumer loans                                       | 54   |                                 | 54                              |   |                    |                 |                  |                    |                      | 54            | -9                          |
| - SME loans  | 1,085  |                                 | 1,085                           |   |                    |                 |                  | 1,021              |                      | 64            | -24                         |
| - Other corporate and government loans                 | 1,749  |                                 | 1,749                           |   |                    |                 |                  |                    | 366                  | 1,383         | -23                         |
| - IFRS fair value adjustments <sup>4</sup>             | -2,040   |                                 | -2,040                          |   |                    |                 |                  |                    |                      | -2,040        |                             |
| Other assets   | 249  |                                 | 249                             |   |                    |                 |                  |                    |                      | 249           |                             |
| <b>Total financial assets</b>                          | <b>73,169</b>                                      | <b>--</b>                       | <b>73,169</b>                   | <b>807</b>  | <b>2,438</b>       | <b>--</b>       | <b>1,737</b>     | <b>47,437</b>      | <b>3,791</b>         | <b>16,959</b> | <b>-166</b>                 |
| Derivatives  | 924  |                                 | 924                             | 807 <sup>1</sup>                                  | 82 <sup>5</sup>    |                 |                  |                    |                      | 35            |                             |
| Amounts due to banks                                   | 2,805  |                                 | 2,805                           |   | 7                  | 225             |                  |                    |                      | 2,573         |                             |
| Other liabilities                                      | 65,646   |                                 | 65,646                          |   |                    |                 |                  |                    |                      | 65,646        |                             |
| <b>Total financial liabilities</b>                     | <b>69,375</b>                                      | <b>--</b>                       | <b>69,375</b>                   | <b>807</b>  | <b>89</b>          | <b>225</b>      | <b>--</b>        | <b>--</b>          | <b>--</b>            | <b>68,254</b> | <b>--</b>                   |
| Loan commitments given                                 | 2,204  |                                 | 2,204                           |   |                    |                 |                  | 1,040              |                      | 1,164         | -10                         |
| Other commitments (repurchase commitment) <sup>6</sup> | 394  |                                 | 394                             |   |                    |                 |                  | 394                |                      | --            |                             |
| Financial guarantees                                   | 5  |                                 | 5                               |   | 5                  |                 |                  |                    |                      | --            |                             |
| Conditionally revocable commitments                    | 395  |                                 | 395                             |   |                    |                 |                  |                    |                      | 395           | -4                          |
| <b>Total off-balance sheet</b>                         | <b>2,998</b>                                       | <b>--</b>                       | <b>2,998</b>                    | <b>--</b>   | <b>5</b>           | <b>--</b>       | <b>--</b>        | <b>1,434</b>       | <b>--</b>            | <b>1,559</b>  | <b>-14</b>                  |

1 Eligible for offsetting pursuant to the International Swap and Derivatives Association (ISDA).

2 This is the amount that can be offset against the net current credit exposure. The total cash collateral received amounted to € 2,447 million.

3 Guarantees for residential mortgages provided with a National Mortgage Guarantee (NHG) and an LTV > 100%.

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

5 This is the amount that can be offset against the net current credit exposure.

6 For more information please refer to Note 20 Contingent liabilities and commitments to the consolidated financial statements.

Collateral and guarantees for stage 3 exposures Audited

| in € millions                          | Gross carrying amount before balance sheet netting |            | Offsetting balance sheet values |           | Maximum exposure to credit risk |            | Immovable property <sup>1</sup> |            | Net exposure |           | Provision for credit losses |            |
|--|--|------------|---------------------------------|-----------|---------------------------------|------------|---------------------------------|------------|--------------|-----------|-----------------------------|------------|
|  | 2023   | 2022       | 2023                            | 2022      | 2023                            | 2022       | 2023                            | 2022       | 2023         | 2022      | 2023                        | 2022       |
| Residential mortgages                  | 473  | 453        |                                 |           | 473                             | 453        | 430                             | 423        | 43           | 30        | -42                         | -29        |
| Consumer loans                         | 8  | 9          |                                 |           | 8                               | 9          | --                              | --         | 8            | 9         | -7                          | -8         |
| SME loans                              | 39   | 46         |                                 |           | 39                              | 46         | 24                              | 30         | 15           | 16        | -8                          | -11        |
| Other corporate and government loans   | 38   | 41         |                                 |           | 38                              | 41         | --                              | --         | 38           | 41        | -31                         | -22        |
| <b>Loans and advances to customers</b> | <b>558</b>   | <b>549</b> | <b>--</b>                       | <b>--</b> | <b>558</b>                      | <b>549</b> | <b>454</b>                      | <b>453</b> | <b>104</b>   | <b>96</b> | <b>-88</b>                  | <b>-70</b> |
| <b>Off-balance sheet exposures</b>     | <b>14</b>  | <b>13</b>  | <b>--</b>                       | <b>--</b> | <b>14</b>                       | <b>13</b>  | <b>9</b>                        | <b>7</b>   | <b>5</b>     | <b>6</b>  | <b>-5</b>                   | <b>-4</b>  |

<sup>1</sup> Not offset in the statement of financial position.

### Loans and advances to banks

The guarantees for loans and advances to banks are guarantees issued by regional or central governments. The collateral is mainly linked to derivative transactions.

### Residential mortgages

As far as residential mortgages are concerned, we ensure that the inflow of loans meets adequate standards in respect of customer, income and collateral. We limit potential losses resulting from credit risk by setting conditions on collateral, such as the value of the collateral and possibly the issue of a National Mortgage Guarantee (*NHG*).

An *NHG* mortgage provides both the customer and the bank with additional security. On 1 January 2023, the *NHG* limit was set at € 405,000 and at € 429,300 in case of investments in energy-saving measures. With effect from 1 January 2024, these maximum amounts were raised to € 435,000 and € 461,100 respectively.

Of the residential mortgages, € 12.6 billion (2022: € 11.8 billion), i.e. 26%, of the gross carrying amount of the exposure fell under the *NHG* guarantee scheme (see also the table Breakdown of residential mortgages by LtV bucket in Section 4.4.7 Residential mortgages in the IAR 2023).

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

Consequently lower LtVs will mean lower risk surcharges in our mortgage rates at origination. We bring this to customers' attention as part of the SNS Mortgage Term Monitoring Service. If customers' LtV has fallen during the term of the mortgage contract, they may request a risk surcharge reduction. They can do so by submitting a recent valuation report of the collateral showing that the collateral value increased or, alternatively, by making additional repayments thus reducing the mortgage amount.

Every month, we index collateral values based on house price developments by using indices, by municipality and type of collateral, which we purchase from third parties. For our portfolio management, we adjust the collateral value both upwards and downwards. If the value of collateral has dropped, we do adjust the LtV but we do not impose the higher risk surcharge on the customer.

The weighted average indexed LtV of the residential mortgages rose to 54%, from 51% at year-end 2022. Decreased house prices have led to a shift of mortgages to higher LtV buckets.

In the event of foreclosure, we instruct an appraiser of our choosing to (re)value the collateral.

### SME loans

The major part of our SME loan portfolio consists of mortgages on commercial real estate. All collateralised assets are located in the Netherlands, a mature market for commercial real estate.

The revaluation frequency for property depends on the amount of its exposure. If the exposure exceeds € 3 million or the exposure exceeds € 1 million and the LtV is above 80%, the property must be revalued once every three years.

A revaluation is also initiated as part of the (arrears) management process. This is a standard procedure once the process for a loan that has been declared to be in default has been started. A revaluation is also made if, upon a check, the information received indicates that the value of the real estate has dropped sharply in comparison with general market prices.

For every new mortgage or material change in a loan, a valuation report is required for all properties to which the loan pertains. For new developments, this is a valuation based on the specifications and underlying documents such as a building contract.

### Other corporate and government loans

The major part of the sustainable loans we provide are loans with government-guaranteed electricity prices and/or power purchase agreements contracts. Other corporate and government loans also have government-issued guarantees for, for example, healthcare institutions or housing associations.

In 2023, the credit loss provision amounted to € 34 million, mainly attributable to a corporate loan in stage 3, of which the lender has a partial guarantee from the shareholder regarding the functioning of the financed installation. This guarantee is taken into account and mitigates the credit risk and thus the provision.

We do not use credit derivatives as collateral.

### Counterparty risk on derivative positions

De Volksbank conducts money and capital market transactions with various financial institutions. This also includes derivative transactions to hedge interest rate and currency risks. Here, the bank runs the risk that a counterparty to a transaction defaults before the final settlement of the cashflows associated with the transaction has taken place. In the regular process, the quality of its counterparties is assessed quarterly. However, changes in quality are continuously monitored. Internal limits are set based, among other things, on the counterparty's rating and a maximum risk as a percentage of the bank's eligible capital (once debtor limits are set).

To reduce this counterparty risk on derivative transactions, de Volksbank applies the following order when entering into such transactions:

- Where possible, the bank concludes derivative transactions with financial institutions using clearing via a central counterparty (CCP). Exceptions to this are transactions that are not supported by a CCP, and very short-term transactions entailing extremely high central clearing costs. Of our eligible derivatives, 98% is CCP cleared, based on par value;
- If central clearing is not possible, the bank subjects derivative transactions with financial institutions to collateral agreements. These are International Swaps and Derivatives Association (ISDA) standardised contracts with a Credit Support Annex (CSA) agreed in advance with each counterparty, laying down the collateral arrangements. In this respect, the bank limits the credit risk on counterparties by means of the provision and acquisition of collateral in the form of cash that covers the value of the derivatives. If a counterparty defaults, the bank will terminate the transactions and the collateral in the amount of the replacement value of the transactions will become available to the bank based on the CSA collateral agreement.

To mitigate counterparty risk, de Volksbank concludes ISDA Master Agreements with these institutions. This means that, if a counterparty defaults, all derivative transactions may be terminated and netted within the netting set defined in the ISDA. In this case, only a net claim or commitment in respect of the counterparty remains.

In relation to the aforementioned, we determine the collateral required on a regular, frequent basis (in general daily), i.e. the net market value of the outstanding derivative transactions, which we subsequently receive (or have to pay) pursuant to the CSA following a notification (margin call) to or from the counterparty.

Both counterparty risk mitigating measures reduce the EAD calculation according to the CRR/CRD rules.

In order to mitigate counterparty risk, de Volksbank also uses central clearing of OTC<sup>1</sup> derivative transactions to shift counterparty risk to the central counterparty.

A CCP is a legal entity that positions itself between the counterparties to an OTC contract, thus becoming the buyer for the OTC seller and the seller for the OTC buyer<sup>2</sup>. Given the CCP's daily settlement of the counterparties' market value commitments, as well as the initial and variation margin requirements to be paid to the CCP by the counterparties, this central clearing reduces the EAD calculation. These exposures are recognised under the categories Institutions and Corporates. Their risk weighting

<sup>1</sup> OTC: Over The Counter, i.e. a bilateral agreement/trade between two counterparties not effected via a formal stock exchange (such as NYSE or Euronext).

<sup>2</sup> See also EU Regulation No 648/2012 of the European Parliament and of the Council of 4 July 2012 (Article 2(1)).

depends on how the CCP has separated the collateral from the exposures and collateral of other CCP clients and clearing members.

Other risk-mitigating measures taken by de Volksbank include the following:

- Daily checks to determine whether the fair value development of derivative positions with collateral arrangements is proportionate to the collateral received or to be provided;
- Settlement of foreign exchange transactions via the Continuous Linked Settlement system, a global system that limits settlement risk by means of the 'payment versus payment' method and payment netting;
- Continuous monitoring to assess whether the assets available still meet the requirements to serve as collateral;
- Assessment of the fair value of the collateral received to ensure that it provides adequate cover for the underlying derivative.

For some ISDA/CSA agreements with the counterparty, de Volksbank will provide more collateral if de Volksbank's credit rating deteriorates.

De Volksbank does not use credit derivatives as a form of security or as an instrument to hedge credit risk.

#### 4.4.7 Residential mortgages

##### Developments in the residential mortgage portfolio in 2023

De Volksbank's residential mortgage portfolio, excluding IFRS value adjustments, grew to € 49.2 billion (year-end 2022: € 48.3 billion) as new production exceeded

redemptions. Whereas mortgage rates increased sharply in 2022, at year-end 2023 they were lower year-on-year. Although average mortgage rates stabilised in the first half of 2023, they declined in the fourth quarter. However, current mortgage rate levels are still not attractive enough for most homeowners to refinance their mortgage. The shift towards 10-year fixed mortgage rates continued. In 2023, 70% of new mortgage production consisted of mortgages with a 10-year fixed mortgage rate (2022: 36%). As a result of the cooling down of the mortgage market, de Volksbank's new mortgage production declined to € 5.1 billion (2022: € 7.4 billion).

The market share of new mortgages stood at 5.7%, slightly up compared to 2022 (5.4%). Repayments amounted to € 4.3 billion, compared to € 6.3 billion in 2022, mainly as a result of the decreased mortgage refinancing volumes. Interest rate renewals amounted to € 0.9 billion, down compared to 2022 (€ 1.9 billion), largely because of a reduction in early renewals.

The percentage of customers taking out NHG-guaranteed loans has been virtually flat over the past years. The weighted average indexed LtV of the residential mortgage portfolio went up to 54%, from 51% at year-end 2022. To determine the LtV, we index collateral values every month on the basis of house price developments. Declining house prices have led to a shift of mortgages to higher LtV buckets.

## Residential mortgages by stage

### Exposure to residential mortgages by stage Audited

| in € millions   | 2023                  |                             |               |             |                | 2022                  |                             |               |             |                |
|---|-----------------------|-----------------------------|---------------|-------------|----------------|-----------------------|-----------------------------|---------------|-------------|----------------|
|   | Gross carrying amount | Provision for credit losses | Book value    | Stage ratio | Coverage ratio | Gross carrying amount | Provision for credit losses | Book value    | Stage ratio | Coverage ratio |
| Stage 1   | 46,138                | -37                         | 46,101        | 93.8%       | 0.1%           | 45,499                | -38                         | 45,461        | 94.3%       | 0.1%           |
| Stage 2   | 2,590                 | -39                         | 2,551         | 5.3%        | 1.5%           | 2,320                 | -31                         | 2,289         | 4.8%        | 1.3%           |
| Stage 3   | 473                   | -42                         | 431           | 1.0%        | 8.9%           | 453                   | -29                         | 424           | 0.9%        | 6.4%           |
| <b>Total stage 1,2,3</b>  | <b>49,201</b>         | <b>-118</b>                 | <b>49,083</b> |             | <b>0.2%</b>    | <b>48,272</b>         | <b>-98</b>                  | <b>48,174</b> |             | <b>0.2%</b>    |
| IFRS value adjustments <sup>1</sup>                               | -1,316                | --                          | -1,316        |             |                | -2,040                | --                          | -2,040        |             |                |
| <b>Total residential mortgages</b>                                | <b>47,885</b>         | <b>-118</b>                 | <b>47,767</b> |             |                | <b>46,232</b>         | <b>-98</b>                  | <b>46,134</b> |             |                |
| Off-balance sheet items stage 1                                   | 1,795                 | -3                          | 1,792         |             | 0.2%           | 1,896                 | -6                          | 1,890         |             | 0.3%           |
| Off-balance sheet items stage 2                                   | 48                    | -2                          | 46            |             | 4.2%           | 37                    | -2                          | 35            |             | 5.4%           |
| Off-balance sheet items stage 3                                   | 9                     | -1                          | 8             |             | 11.1%          | 7                     | --                          | 7             |             | 0.0%           |
| <b>Total off-balance sheet items<sup>2</sup></b>                  | <b>1,852</b>          | <b>-6</b>                   | <b>1,846</b>  |             | <b>0.3%</b>    | <b>1,940</b>          | <b>-8</b>                   | <b>1,932</b>  |             | <b>0.4%</b>    |
| <b>Total on and off-balance sheet items residential mortgages</b> | <b>49,737</b>         | <b>-124</b>                 | <b>49,613</b> |             | <b>0.2%</b>    | <b>48,172</b>         | <b>-106</b>                 | <b>48,066</b> |             | <b>0.2%</b>    |

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

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

### Transfers between stages in the gross carrying amount of residential mortgages Audited

| in € millions       | 2023    |         |         |       | 2022    |         |         |       |
|---------------------|---------|---------|---------|-------|---------|---------|---------|-------|
|                     | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| Transfer to stage 1 | 585     | -579    | -6      | --    | 638     | -626    | -12     | --    |
| Transfer to stage 2 | -915    | 1,066   | -151    | --    | -1,333  | 1,540   | -207    | --    |
| Transfer to stage 3 | -139    | -98     | 237     | --    | -136    | -79     | 215     | --    |



### Changes in the credit loss provision for residential mortgages Audited

In 2023, the credit loss provision for residential mortgages rose to € 118 million, from € 98 million at year-end 2022. Mostly due to an increase in the modelled provision increased by € 14 million to € 73 million, in particular for interest-only mortgages, which also includes an amount of € 11 million related to prior year. The management overlay increased by € 4 million to € 51 million, also because of a higher provision amount for interest-only mortgages. This was partly offset by a partial release of the management overlay to account for the risk of high inflation affecting our customers' ability to repay their loans. The percentage of residential mortgages in arrears rose only slightly to 0.8%, but exposures in arrears itself increased by almost 20%.

Stage 2 exposure increased from € 2,320 million to € 2,590 million as a result of deteriorated LtVs, which resulted in an inflow of high-risk interest-only mortgages and a change in the credit risk of residential mortgages due to significant increase in credit risk (SICR). The stage 2 provision increased mainly due to inflows of loans triggered by a SICR assessment, more loans in arrears and a higher stage 2 management overlay for high-risk interest-only mortgages.

Stage 3 exposure also rose slightly, from € 453 million in 2022 to € 473 million, as did the stage 3 coverage ratio: from 6.4% to 8.9%. Stage 3 provisions increased mainly as a result of the gross inflow and change in credit risk largely caused by the duration in default and deteriorating LtVs in the first half of 2023.

### Changes in the provision for credit losses for residential mortgages Audited

| in € millions                              | 2023      |           |           |            | 2022      |           |           |           | Off-balance sheet items <sup>1</sup> |          |
|--|-----------|-----------|-----------|------------|-----------|-----------|-----------|-----------|--------------------------------------|----------|
|  | Stage 1   | Stage 2   | Stage 3   | Total      | Stage 1   | Stage 2   | Stage 3   | Total     | 2023                                 | 2022     |
| <b>Opening balance</b>                     | <b>38</b> | <b>31</b> | <b>29</b> | <b>98</b>  | <b>32</b> | <b>24</b> | <b>17</b> | <b>73</b> | <b>8</b>                             | <b>7</b> |
| Transfer to stage 1                        | --        | -6        | --        | -6         | --        | -3        | --        | -3        | --                                   | --       |
| Transfer to stage 2                        | --        | 14        | -8        | 6          | --        | 7         | -3        | 4         | 1                                    | --       |
| Transfer to stage 3                        | -1        | -1        | 17        | 15         | --        | --        | 4         | 4         | --                                   | --       |
| Change in credit risk                      | -4        | 2         | 6         | 4          | -5        | 2         | 1         | -2        | -2                                   | --       |
| Originated or purchased                    | 4         | --        | --        | 4          | 10        | 1         | --        | 11        | 1                                    | 1        |
| Matured or sold                            | -2        | -4        | -3        | -9         | --        | --        | -1        | -1        | --                                   | --       |
| Change in models                           | --        | --        | --        | --         | 2         | 9         | 17        | 28        | --                                   | 1        |
| Change in management overlay               | 2         | 3         | 1         | 6          | -1        | -9        | -5        | -15       | -2                                   | -1       |
| <b>Impairment charges (releases)</b>       | <b>-1</b> | <b>8</b>  | <b>13</b> | <b>20</b>  | <b>6</b>  | <b>7</b>  | <b>13</b> | <b>26</b> | <b>-2</b>                            | <b>1</b> |
| Write-offs                                 | --        | --        | --        | --         | --        | --        | -1        | -1        | --                                   | --       |
| <b>Closing balance</b>                     | <b>37</b> | <b>39</b> | <b>42</b> | <b>118</b> | <b>38</b> | <b>31</b> | <b>29</b> | <b>98</b> | <b>6</b>                             | <b>8</b> |
| <i>Of which: management overlay</i>        |           |           |           | 48         |           |           |           | 42        | 3                                    | 5        |
| Impairment charges (releases)              |           |           |           | 20         |           |           |           | 26        | -2                                   | 1        |
| Recoveries and other charges through P&L   |           |           |           | -9         |           |           |           | -10       | --                                   | --       |
| <b>Total impairment charges (releases)</b> |           |           |           | <b>11</b>  |           |           |           | <b>16</b> | <b>-2</b>                            | <b>1</b> |

<sup>1</sup> Off-balance sheet: liabilities from irrevocable facilities, guarantees and repurchase commitments. The provision for credit losses of off-balance sheet items is reported in Provisions (see also Note 16 to the consolidated financial statements).

## Credit quality of the residential mortgages

### Internal rating classes for residential mortgages Audited

| in € millions                       |                  | 2023                  |              |            |               |                             |            |            |             | 2022                  |              |            |               |                             |            |            |            |
|-------------------------------------|------------------|-----------------------|--------------|------------|---------------|-----------------------------|------------|------------|-------------|-----------------------|--------------|------------|---------------|-----------------------------|------------|------------|------------|
|                                     |                  | Gross carrying amount |              |            |               | Provision for credit losses |            |            |             | Gross carrying amount |              |            |               | Provision for credit losses |            |            |            |
|                                     |                  | Stage 1               | Stage 2      | Stage 3    | Total         | Stage 1                     | Stage 2    | Stage 3    | Total       | Stage 1               | Stage 2      | Stage 3    | Total         | Stage 1                     | Stage 2    | Stage 3    | Total      |
| Internal rating grade               | PD scaling       |                       |              |            |               |                             |            |            |             |                       |              |            |               |                             |            |            |            |
| 1                                   | 0.00 to <0.15    | 15,865                | 1            | --         | 15,866        | -2                          | --         | --         | -2          | 10,730                | 1            | --         | 10,731        | -1                          | --         | --         | -1         |
| 2                                   | 0.15 to <0.25    | 13,515                | 1            | --         | 13,516        | -4                          | --         | --         | -4          | 12,158                | 1            | --         | 12,159        | -2                          | --         | --         | -2         |
| 3                                   | 0.25 to <0.35    | 8,405                 | 1            | --         | 8,406         | -5                          | --         | --         | -5          | 9,403                 | 2            | --         | 9,405         | -3                          | --         | --         | -3         |
| 4                                   | 0.35 to <0.50    | 5,944                 | 4            | --         | 5,948         | -8                          | --         | --         | -8          | 7,982                 | 3            | --         | 7,985         | -6                          | --         | --         | -6         |
| 5                                   | 0.50 to <0.75    | 1,768                 | 19           | --         | 1,787         | -6                          | --         | --         | -6          | 4,253                 | 10           | --         | 4,263         | -8                          | --         | --         | -8         |
| 6                                   | 0.75 to <1.25    | 78                    | 161          | --         | 239           | --                          | -1         | --         | -1          | 333                   | 77           | --         | 410           | -1                          | --         | --         | -1         |
| 7                                   | 1.25 to <1.50    | 30                    | 150          | --         | 180           | --                          | --         | --         | --          | 11                    | 76           | --         | 87            | --                          | --         | --         | --         |
| 8                                   | 1.50 to <1.75    | 29                    | 167          | --         | 196           | --                          | -1         | --         | -1          | 15                    | 116          | --         | 131           | --                          | -1         | --         | -1         |
| 9                                   | 1.75 to <3.50    | 231                   | 723          | --         | 954           | -1                          | -3         | --         | -4          | 125                   | 760          | --         | 885           | -1                          | -3         | --         | -4         |
| 10                                  | 3.50 to <10.00   | 255                   | 394          | --         | 649           | -8                          | -4         | --         | -12         | 463                   | 415          | --         | 878           | -14                         | -4         | --         | -18        |
| 11                                  | 10.00 to <15.00  | 6                     | 167          | --         | 173           | -1                          | -1         | --         | -2          | 12                    | 119          | --         | 131           | -1                          | -1         | --         | -2         |
| 12                                  | 15.00 to <25.00  | 12                    | 316          | --         | 328           | -2                          | -5         | --         | -7          | 14                    | 280          | --         | 294           | -1                          | -3         | --         | -4         |
| 13                                  | 25.00 to <100.00 | --                    | 486          | --         | 486           | --                          | -24        | --         | -24         | --                    | 460          | --         | 460           | --                          | -19        | --         | -19        |
| Default                             | 100.00           | --                    | --           | 473        | 473           | --                          | --         | -42        | -42         | --                    | --           | 453        | 453           | --                          | --         | -29        | -29        |
| <b>Total</b>                        |                  | <b>46,138</b>         | <b>2,590</b> | <b>473</b> | <b>49,201</b> | <b>-37</b>                  | <b>-39</b> | <b>-42</b> | <b>-118</b> | <b>45,499</b>         | <b>2,320</b> | <b>453</b> | <b>48,272</b> | <b>-38</b>                  | <b>-31</b> | <b>-29</b> | <b>-98</b> |
| IFRS value adjustments <sup>1</sup> |                  |                       |              |            | -1,316        |                             |            |            |             |                       |              |            | -2,040        |                             |            |            |            |
| <b>Total residential mortgages</b>  |                  | <b>46,138</b>         | <b>2,590</b> | <b>473</b> | <b>47,885</b> | <b>-37</b>                  | <b>-39</b> | <b>-42</b> | <b>-118</b> | <b>45,499</b>         | <b>2,320</b> | <b>453</b> | <b>46,232</b> | <b>-38</b>                  | <b>-31</b> | <b>-29</b> | <b>-98</b> |

<sup>1</sup> Consist of fair value adjustments from hedge accounting and amortisations.

## Residential mortgages by Loan-to-Value bucket

For an explanation of LtV and NHG for residential mortgages, see Section [4.4.6 Risk mitigation](#).

### Breakdown of residential mortgages by LtV bucket<sup>1</sup> 31 December 2023 Audited

### Breakdown of residential mortgages by LtV bucket<sup>1</sup> 31 December 2022 Audited

| in € millions                       | Gross carrying amount |              |            |               | Provision for credit losses |            |            |            | Coverage ratio <sup>2</sup> |             |             |             |             |
|-------------------------------------|-----------------------|--------------|------------|---------------|-----------------------------|------------|------------|------------|-----------------------------|-------------|-------------|-------------|-------------|
|                                     | Stage                 |              |            | Total         | Stage                       |            |            | Total      | Stage                       |             |             | Total       |             |
|                                     | 1                     | 2            | 3          |               | 1                           | 2          | 3          |            | 1                           | 2           | 3           |             |             |
| NHG <sup>3</sup>                    |                       |              |            |               |                             |            |            |            |                             |             |             |             |             |
| ≤ 75%                               | 9,938                 | 283          | 55         | 10,276        | 21%                         | -2         | -2         | -3         | -7                          | 0.0%        | 0.7%        | 6.3%        | 0.1%        |
| >75 ≤ 100%                          | 1,939                 | 66           | 6          | 2,011         | 4%                          | -2         | -1         | -1         | -4                          | 0.1%        | 1.5%        | 9.2%        | 0.2%        |
| >100 ≤ 110%                         | 283                   | 8            | 1          | 292           | 1%                          | --         | --         | --         | --                          | 0.1%        | 1.7%        | 7.7%        | 0.2%        |
| >110 ≤ 125%                         | 1                     | 1            | --         | 2             | 0%                          | --         | --         | --         | --                          | 0.4%        | 2.8%        | 14.6%       | 3.5%        |
| > 125%                              | 3                     | 1            | -          | 4             | 0%                          | --         | --         | --         | --                          | 1.1%        | 12.2%       | 8.5%        | 3.4%        |
| <b>Total NHG</b>                    | <b>12,164</b>         | <b>359</b>   | <b>62</b>  | <b>12,585</b> | <b>26%</b>                  | <b>-4</b>  | <b>-3</b>  | <b>-4</b>  | <b>-11</b>                  | <b>0.0%</b> | <b>0.9%</b> | <b>6.7%</b> | <b>0.1%</b> |
| Non-NHG                             |                       |              |            |               |                             |            |            |            |                             |             |             |             |             |
| ≤ 75%                               | 29,145                | 1,736        | 307        | 31,188        | 63%                         | -14        | -16        | -20        | -50                         | 0.0%        | 0.9%        | 6.4%        | 0.2%        |
| >75 ≤ 100%                          | 4,404                 | 429          | 75         | 4,908         | 10%                         | -15        | -15        | -10        | -40                         | 0.3%        | 3.4%        | 12.8%       | 0.8%        |
| >100 ≤ 110%                         | 338                   | 39           | 12         | 389           | 1%                          | -2         | -2         | -3         | -7                          | 0.7%        | 6.4%        | 22.8%       | 2.0%        |
| >110 ≤ 125%                         | 75                    | 16           | 5          | 96            | 0%                          | -1         | -2         | -1         | -4                          | 1.9%        | 12.3%       | 22.1%       | 4.7%        |
| > 125%                              | 12                    | 11           | 12         | 35            | 0%                          | -1         | -1         | -4         | -6                          | 6.3%        | 7.6%        | 36.6%       | 17.2%       |
| <b>Total Non-NHG</b>                | <b>33,974</b>         | <b>2,231</b> | <b>411</b> | <b>36,616</b> | <b>74%</b>                  | <b>-33</b> | <b>-36</b> | <b>-38</b> | <b>-107</b>                 | <b>0.1%</b> | <b>1.6%</b> | <b>9.1%</b> | <b>0.3%</b> |
| <b>Total</b>                        | <b>46,138</b>         | <b>2,590</b> | <b>473</b> | <b>49,201</b> | <b>100%</b>                 | <b>-37</b> | <b>-39</b> | <b>-42</b> | <b>-118</b>                 | <b>0.1%</b> | <b>1.5%</b> | <b>8.8%</b> | <b>0.2%</b> |
| IFRS value adjustments <sup>4</sup> |                       |              |            | -1,316        |                             |            |            |            |                             |             |             |             |             |
| <b>Total residential mortgages</b>  |                       |              |            | <b>47,885</b> |                             |            |            |            | <b>-118</b>                 |             |             |             | <b>0.2%</b> |
| <b>Weighted average indexed LtV</b> |                       |              |            | <b>54%</b>    |                             |            |            |            |                             |             |             |             |             |

| in € millions                       | Gross carrying amount |              |            |               | Provision for credit losses |            |            |            | Coverage ratio <sup>2</sup> |             |             |             |             |
|-------------------------------------|-----------------------|--------------|------------|---------------|-----------------------------|------------|------------|------------|-----------------------------|-------------|-------------|-------------|-------------|
|                                     | Stage                 |              |            | Total         | Stage                       |            |            | Total      | Stage                       |             |             | Total       |             |
|                                     | 1                     | 2            | 3          |               | 1                           | 2          | 3          |            | 1                           | 2           | 3           |             |             |
| NHG <sup>3</sup>                    |                       |              |            |               |                             |            |            |            |                             |             |             |             |             |
| ≤ 75%                               | 10,305                | 278          | 65         | 10,648        | 22%                         | -2         | -2         | -3         | -7                          | 0.0%        | 0.8%        | 5.1%        | 0.1%        |
| >75 ≤ 100%                          | 1,054                 | 37           | 4          | 1,095         | 2%                          | -1         | -1         | --         | -2                          | 0.1%        | 1.5%        | 7.8%        | 0.1%        |
| >100 ≤ 110%                         | 42                    | 1            | --         | 43            | 0%                          | --         | --         | --         | --                          | 0.1%        | 3.0%        | 4.5%        | 0.2%        |
| >110 ≤ 125%                         | --                    | 1            | --         | 1             | 0%                          | --         | --         | --         | --                          | 0.0%        | 2.1%        | 0.0%        | 2.1%        |
| > 125%                              | 1                     | -            | -          | 1             | 0%                          | --         | --         | --         | --                          | 2.8%        | 0.0%        | 13.3%       | 7.1%        |
| <b>Total NHG</b>                    | <b>11,402</b>         | <b>317</b>   | <b>69</b>  | <b>11,788</b> | <b>24%</b>                  | <b>-3</b>  | <b>-3</b>  | <b>-3</b>  | <b>-9</b>                   | <b>0.0%</b> | <b>0.9%</b> | <b>5.3%</b> | <b>0.1%</b> |
| Non-NHG                             |                       |              |            |               |                             |            |            |            |                             |             |             |             |             |
| ≤ 75%                               | 30,382                | 1,688        | 327        | 32,397        | 67%                         | -25        | -19        | -18        | -62                         | 0.1%        | 1.1%        | 5.5%        | 0.2%        |
| >75 ≤ 100%                          | 3,419                 | 273          | 46         | 3,738         | 8%                          | -9         | -7         | -5         | -21                         | 0.3%        | 2.6%        | 11.2%       | 0.6%        |
| >100 ≤ 110%                         | 251                   | 24           | 2          | 277           | 1%                          | -1         | -1         | -1         | -3                          | 0.4%        | 4.6%        | 23.0%       | 0.9%        |
| >110 ≤ 125%                         | 44                    | 8            | 3          | 55            | 0%                          | --         | --         | -1         | -1                          | 0.7%        | 6.5%        | 13.7%       | 2.3%        |
| > 125%                              | 1                     | 10           | 6          | 17            | 0%                          | --         | -1         | -1         | -2                          | 2.0%        | 4.8%        | 16.2%       | 8.2%        |
| <b>Total Non-NHG</b>                | <b>34,097</b>         | <b>2,003</b> | <b>384</b> | <b>36,484</b> | <b>76%</b>                  | <b>-35</b> | <b>-28</b> | <b>-26</b> | <b>-89</b>                  | <b>0.1%</b> | <b>1.4%</b> | <b>6.5%</b> | <b>0.2%</b> |
| <b>Total</b>                        | <b>45,499</b>         | <b>2,320</b> | <b>453</b> | <b>48,272</b> | <b>100%</b>                 | <b>-38</b> | <b>-31</b> | <b>-29</b> | <b>-98</b>                  | <b>0.1%</b> | <b>1.3%</b> | <b>6.3%</b> | <b>0.2%</b> |
| IFRS value adjustments <sup>4</sup> |                       |              |            | -2,040        |                             |            |            |            |                             |             |             |             |             |
| <b>Total residential mortgages</b>  |                       |              |            | <b>46,232</b> |                             |            |            |            | <b>-98</b>                  |             |             |             | <b>0.2%</b> |
| <b>Weighted average indexed LtV</b> |                       |              |            | <b>51%</b>    |                             |            |            |            |                             |             |             |             |             |

1 The LtV is based on the indexed market value of collateral.  
 2 The coverage ratios differs from the ratios in other tables because in this table the gross exposure is reduced by the savings deposits and because these are calculated with unrounded figures.  
 3 NHG is determined on loan part level; the size of guarantees related to NHG-guaranteed mortgages expires on an annuity basis.  
 4 Consist of fair value adjustments from hedge accounting and amortisations.

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### Stage 3 residential mortgages vintage analysis

| Time in default (as a % of total gross amount) | 2023        | 2022        |
|--|-------------|-------------|
| < 1 year                                       | 55%         | 53%         |
| 1-3 years                                      | 34%         | 33%         |
| 3-5 years                                      | 5%          | 5%          |
| 5-10 years                                     | 4%          | 6%          |
| > 10 years                                     | 2%          | 3%          |
| <b>Total</b>                                   | <b>100%</b> | <b>100%</b> |

### Residential mortgages in arrears

The table below depicts the amount of residential mortgages in arrears. The percentage of residential mortgages in arrears rose only slightly to 0.8%, but exposures in arrears itself increased from € 315 million at year-end 2022 to € 378 million, a rise of almost 20%.

### Residential mortgages in arrears 31 December 2023 Audited

| in € millions                       | Gross carrying amount |                      | > 30 days            |                      |            | %           |
|-------------------------------------|-----------------------|----------------------|----------------------|----------------------|------------|-------------|
|                                     | No arrears            | ≤ 30 days in arrears | ≤ 90 days in arrears | > 90 days in arrears | in arrears |             |
| Stage 1                             | 46,138                | 46,109               | 16                   | 3                    | 10         | 0.1%        |
| Stage 2                             | 2,590                 | 2,390                | 40                   | 86                   | 74         | 7.7%        |
| Stage 3                             | 473                   | 324                  | 12                   | 27                   | 110        | 31.5%       |
| <b>Subtotal</b>                     | <b>49,201</b>         | <b>48,823</b>        | <b>68</b>            | <b>116</b>           | <b>194</b> | <b>0.8%</b> |
| IFRS value adjustments <sup>1</sup> | -1,316                |                      |                      |                      |            |             |
| <b>Total</b>                        | <b>47,885</b>         | <b>48,823</b>        | <b>68</b>            | <b>116</b>           | <b>194</b> |             |

### Residential mortgages in arrears 31 December 2022 Audited

| in € millions                       | Gross amount  | > 30 days     |                      |                      | %          |                      |
|-------------------------------------|---------------|---------------|----------------------|----------------------|------------|----------------------|
|                                     |               | No arrears    | ≤ 30 days in arrears | ≤ 90 days in arrears |            | > 90 days in arrears |
| Stage 1                             | 45,499        | 45,473        | 11                   | 5                    | 10         | 0.1%                 |
| Stage 2                             | 2,320         | 2,163         | 33                   | 63                   | 61         | 6.8%                 |
| Stage 3                             | 453           | 321           | 7                    | 31                   | 94         | 29.1%                |
| <b>Subtotal</b>                     | <b>48,272</b> | <b>47,957</b> | <b>51</b>            | <b>99</b>            | <b>165</b> | <b>0.7%</b>          |
| IFRS value adjustments <sup>1</sup> | -2,040        |               |                      |                      |            |                      |
| <b>Total</b>                        | <b>46,232</b> | <b>47,957</b> | <b>51</b>            | <b>99</b>            | <b>165</b> |                      |

<sup>1</sup> Consist of fair value adjustments from hedge accounting and amortisations.

### Additional information on residential mortgages

#### Residential mortgages by brand<sup>1</sup>

| in € millions | 2023          |             | 2022          |             |
|---------------|---------------|-------------|---------------|-------------|
|               | Gross amount  | %           | Gross amount  | %           |
| ASN Bank      | 927           | 2%          | 702           | 2%          |
| BLG Wonen     | 26,560        | 54%         | 25,467        | 53%         |
| RegioBank     | 7,641         | 15%         | 7,437         | 15%         |
| SNS           | 14,073        | 29%         | 14,666        | 30%         |
| <b>Total</b>  | <b>49,201</b> | <b>100%</b> | <b>48,272</b> | <b>100%</b> |

<sup>1</sup> Gross carrying amount and excluding fair value adjustments from hedge accounting and amortisations.

### Residential mortgages by fixed-term maturity<sup>1</sup>

| in € millions                 | 2023          |             | 2022          |             |
|-------------------------------|---------------|-------------|---------------|-------------|
| Floating rate                 | 1,050         | 2%          | 1,296         | 3%          |
| ≥ 1 and < 5-year fixed-rate   | 914           | 2%          | 921           | 2%          |
| ≥ 5 and < 10-year fixed-rate  | 1,549         | 3%          | 1,607         | 3%          |
| ≥ 10 and < 15-year fixed-rate | 26,847        | 54%         | 25,660        | 53%         |
| ≥ 15-year fixed-rate          | 18,479        | 38%         | 18,400        | 38%         |
| Other                         | 362           | 1%          | 388           | 1%          |
| <b>Total</b>                  | <b>49,201</b> | <b>100%</b> | <b>48,272</b> | <b>100%</b> |

<sup>1</sup> Gross carrying amount and excluding fair value adjustments from hedge accounting and amortisations.

### Residential mortgages by redemption type<sup>1</sup>

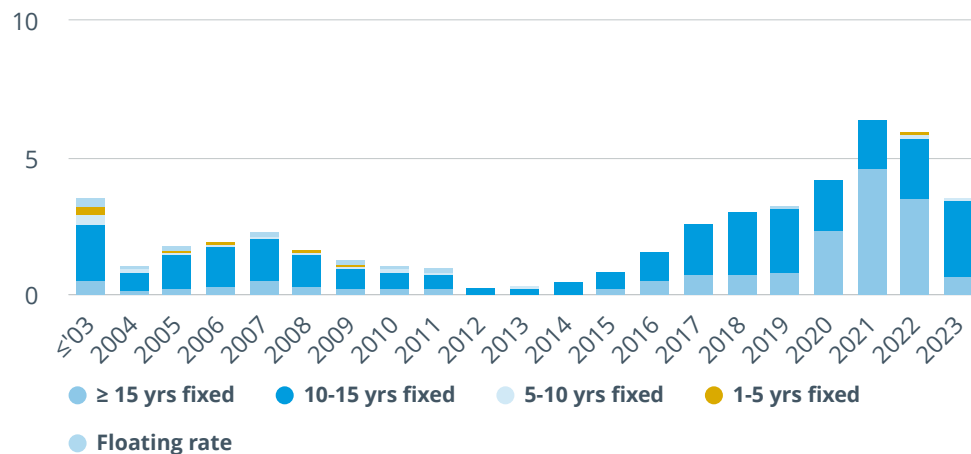
| in € millions                          | 2023          |             | 2022          |             |
|--|---------------|-------------|---------------|-------------|
| Interest-only (100%)                   | 9,256         | 19%         | 9,558         | 20%         |
| Interest-only (partially) <sup>2</sup> | 13,060        | 26%         | 13,176        | 27%         |
| Annuity                                | 20,027        | 41%         | 18,252        | 38%         |
| Linear                                 | 1,264         | 3%          | 1,288         | 3%          |
| (Bank) savings <sup>3</sup>            | 3,198         | 6%          | 3,400         | 7%          |
| Life insurance/investments             | 2,034         | 4%          | 2,210         | 4%          |
| Other                                  | 362           | 1%          | 388           | 1%          |
| <b>Total</b>                           | <b>49,201</b> | <b>100%</b> | <b>48,272</b> | <b>100%</b> |

<sup>1</sup> Gross carrying amount and excluding fair value adjustments from hedge accounting and amortisations.

<sup>2</sup> Besides an interest-only loan part, customers also have a loan part with a repayment, such as annuity or linear repayments.

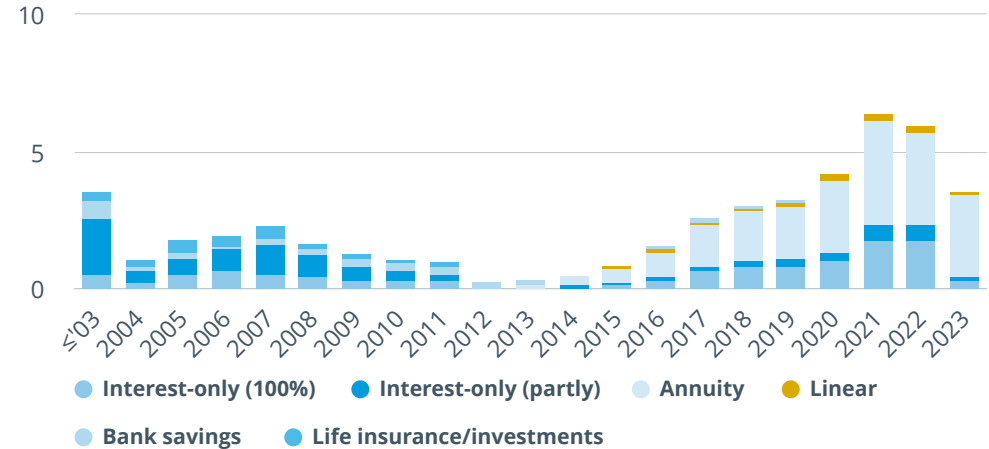
<sup>3</sup> The guaranteed savings deposits accrued in a policy with the insurer are accounted for under (Bank) savings.

### Residential mortgages by fixed rate maturity and latest year of adjustment (in € billions)<sup>1</sup>



<sup>1</sup> Amounts in this chart do include mortgage renewals, but do not include bridge loans and 'Extra ruimte' mortgages.

### Residential mortgages by redemption type and latest year of adjustment (in € billions)<sup>1</sup>



<sup>1</sup> Amounts in this chart do include mortgage renewals, but do not include bridge loans and 'Extra ruimte' mortgages.

## 4.4.8 Consumer loans

### Developments in the consumer loan portfolio in 2023

The consumer loan portfolio remained stable and comprises three products: personal loans, revolving credit and overdraft facilities. The increasing inflow of new personal

loans mitigated the portfolio's downward trend resulting from the winding down of the revolving credit portfolio and the slightly lower number of overdraft facilities.

In 2023, the credit quality of the consumer loan portfolio did not change significantly.

### Consumer loans by stage

#### Exposure to consumer loans by stage Audited

| in € millions  | 2023                  |                             |            |             |                | 2022                  |                             |            |             |                |
|--|-----------------------|-----------------------------|------------|-------------|----------------|-----------------------|-----------------------------|------------|-------------|----------------|
|  | Gross carrying amount | Provision for credit losses | Book value | Stage ratio | Coverage ratio | Gross carrying amount | Provision for credit losses | Book value | Stage ratio | Coverage ratio |
| Stage 1  | 18                    | --                          | 18         | 30.5%       | 0.0%           | 22                    | --                          | 22         | 40.7%       | 0.0%           |
| Stage 2  | 33                    | -1                          | 32         | 55.9%       | 3.0%           | 23                    | -1                          | 22         | 42.6%       | 4.3%           |
| Stage 3  | 8                     | -7                          | 1          | 13.6%       | 87.5%          | 9                     | -8                          | 1          | 16.7%       | 88.9%          |
| <b>Total consumer loans</b>                                | <b>59</b>             | <b>-8</b>                   | <b>51</b>  |             | <b>13.6%</b>   | <b>54</b>             | <b>-9</b>                   | <b>45</b>  |             | <b>16.7%</b>   |
| Off-balance sheet items stage 1                            | 361                   | --                          | 361        |             | 0.0%           | 389                   | --                          | 389        |             | 0.0%           |
| Off-balance sheet items stage 2                            | 4                     | --                          | 4          |             | 0.0%           | 5                     | --                          | 5          |             | 0.0%           |
| Off-balance sheet items stage 3                            | 3                     | -3                          | --         |             | 100.0%         | 4                     | -4                          | --         |             | 100.0%         |
| <b>Total off-balance sheet items<sup>1</sup></b>           | <b>368</b>            | <b>-3</b>                   | <b>365</b> |             | <b>0.8%</b>    | <b>398</b>            | <b>-4</b>                   | <b>394</b> |             | <b>1.0%</b>    |
| <b>Total on and off-balance sheet items consumer loans</b> | <b>427</b>            | <b>-11</b>                  | <b>416</b> |             | <b>2.6%</b>    | <b>452</b>            | <b>-13</b>                  | <b>439</b> |             | <b>2.9%</b>    |

<sup>1</sup> Consists mainly of conditionally revocable facilities.

#### Transfers between stages in the gross carrying amount of consumer loans Audited

| in € millions       | 2023    |         |         |       | 2022    |         |         |       |
|---------------------|---------|---------|---------|-------|---------|---------|---------|-------|
|                     | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| Transfer to stage 1 | 1       | -1      | --      | --    | 1       | -1      | --      | --    |
| Transfer to stage 2 | -4      | 4       | --      | --    | -4      | 4       | --      | --    |
| Transfer to stage 3 | --      | -2      | 2       | --    | --      | -1      | 1       | --    |

### Changes in the provision for credit losses for consumer loans Audited

The total provision for credit losses decreased from € 9 million in 2022 to € 8 million, mainly due to write-offs. Coverage ratios over the stages remained relatively stable. The provision for off-balance sheet items decreased by € 1 million to € 3 million.

### Changes in the provision for credit losses for consumer loans Audited

| in € millions                              | 2023    |         |         |       | 2022    |         |         |       | Off-balance sheet items <sup>1</sup> |      |
|--|---------|---------|---------|-------|---------|---------|---------|-------|--------------------------------------|------|
|  | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | 2023                                 | 2022 |
| <b>Opening balance</b>                     | --      | 1       | 8       | 9     | --      | --      | 10      | 10    | 4                                    | 5    |
| Transfer to stage 1                        | --      | --      | --      | --    | --      | --      | --      | --    | --                                   | --   |
| Transfer to stage 2                        | --      | --      | --      | --    | --      | --      | -1      | -1    | --                                   | -1   |
| Transfer to stage 3                        | --      | --      | 1       | 1     | --      | --      | 1       | 1     | --                                   | 1    |
| Changes in credit risk                     | --      | --      | --      | --    | --      | --      | --      | --    | --                                   | --   |
| Originated or purchased                    | --      | --      | --      | --    | --      | 1       | --      | 1     | --                                   | --   |
| Matured or sold                            | --      | --      | --      | --    | --      | --      | -1      | -1    | -1                                   | -1   |
| <b>Impairment charges (releases)</b>       | --      | --      | 1       | 1     | --      | 1       | -1      | --    | -1                                   | -1   |
| Write-offs                                 | --      | --      | -2      | -2    | --      | --      | -1      | -1    | --                                   | --   |
| <b>Closing balance</b>                     | --      | 1       | 7       | 8     | --      | 1       | 8       | 9     | 3                                    | 4    |
| Impairment charges (releases)              |         |         |         | 1     |         |         |         | --    | -1                                   | -1   |
| Recoveries and other charges through P&L   |         |         |         | -2    |         |         |         | -2    | --                                   | --   |
| <b>Total impairment charges (releases)</b> |         |         |         | -1    |         |         |         | -2    | -1                                   | -1   |

<sup>1</sup> Off-balance sheet: liabilities from irrevocable facilities, guarantees and repurchase commitments. The provision for credit losses of off-balance sheet items is reported in Provisions (see also Note 16 to the consolidated financial statements).

### Consumer loans in arrears

#### Consumer loans in arrears as at 31 December 2023 Audited

| in € millions               | Gross carrying amount | No arrears | > 30 days            |                      |                      | %            |
|-----------------------------|-----------------------|------------|----------------------|----------------------|----------------------|--------------|
|                             |                       |            | ≤ 30 days in arrears | ≤ 90 days in arrears | > 90 days in arrears |              |
| Stage 1                     | 18                    | 18         | --                   | --                   | --                   | 0.0%         |
| Stage 2                     | 33                    | 29         | 1                    | 1                    | 2                    | 12.1%        |
| Stage 3                     | 8                     | 1          | --                   | --                   | 7                    | 87.5%        |
| <b>Total consumer loans</b> | <b>59</b>             | <b>48</b>  | <b>1</b>             | <b>1</b>             | <b>9</b>             | <b>18.6%</b> |

#### Consumer loans in arrears as at 31 December 2022 Audited

| in € millions               | Gross carrying amount | No arrears | > 30 days            |                      |                      | %            |
|-----------------------------|-----------------------|------------|----------------------|----------------------|----------------------|--------------|
|                             |                       |            | ≤ 30 days in arrears | ≤ 90 days in arrears | > 90 days in arrears |              |
| Stage 1                     | 22                    | 22         | --                   | --                   | --                   | 0.0%         |
| Stage 2                     | 23                    | 19         | 1                    | 1                    | 2                    | 17.4%        |
| Stage 3                     | 9                     | 1          | --                   | --                   | 8                    | 88.9%        |
| <b>Total consumer loans</b> | <b>54</b>             | <b>42</b>  | <b>1</b>             | <b>1</b>             | <b>10</b>            | <b>22.2%</b> |

## 4.4.9 SME loans

### Developments in the SME loan portfolio in 2023

As part of our focus on the finance ability of SME companies in the Netherlands, we have further simplified our origination process and expanded our distribution channels offering customers a mix of personal contact and digital comfort. This resulted in new loan originations totaling € 260 million, and our portfolio grew from € 1,085 million to € 1,235 million in 2023.

After the Covid-19 pandemic, society was confronted with new geopolitical and macroeconomic factors, such as the war in Ukraine and higher energy and raw material prices. But although there was an increase in entrepreneurs who closed their businesses and a rise in bankruptcies, we saw no effect of this on our portfolio. We closely monitor the impact of inflation and the repayment of the delayed tax payments following the Covid-19 pandemic on our customers.

### SME loans by stage

#### Exposure to SME loans by stage Audited

| in € millions   | 2023                  |                             |              |             |                | 2022                  |                             |              |             |                |
|---|-----------------------|-----------------------------|--------------|-------------|----------------|-----------------------|-----------------------------|--------------|-------------|----------------|
|   | Gross carrying amount | Provision for credit losses | Book value   | Stage ratio | Coverage ratio | Gross carrying amount | Provision for credit losses | Book value   | Stage ratio | Coverage ratio |
| Stage 1   | 1,069                 | -5                          | 1,064        | 86.6%       | 0.5%           | 933                   | -6                          | 927          | 86.0%       | 0.6%           |
| Stage 2   | 127                   | -9                          | 118          | 10.3%       | 7.1%           | 106                   | -7                          | 99           | 9.8%        | 6.6%           |
| Stage 3   | 39                    | -8                          | 31           | 3.1%        | 20.5%          | 46                    | -11                         | 35           | 4.2%        | 23.9%          |
| <b>Total SME loans<sup>1</sup></b>                    | <b>1,235</b>          | <b>-22</b>                  | <b>1,213</b> |             | <b>1.8%</b>    | <b>1,085</b>          | <b>-24</b>                  | <b>1,061</b> |             | <b>2.2%</b>    |
| Off-balance sheet items stage 1                       | 136                   | --                          | 136          |             | 0.0%           | 132                   | -1                          | 131          |             | 0.8%           |
| Off-balance sheet items stage 2                       | 4                     | --                          | 4            |             | 0.0%           | 5                     | --                          | 5            |             | 0.0%           |
| Off-balance sheet items stage 3                       | 2                     | -1                          | 1            |             | 50.0%          | 2                     | --                          | 2            |             | 0.0%           |
| <b>Total off-balance sheet items<sup>2</sup></b>      | <b>142</b>            | <b>-1</b>                   | <b>141</b>   |             | <b>0.7%</b>    | <b>139</b>            | <b>-1</b>                   | <b>138</b>   |             | <b>0.7%</b>    |
| <b>Total on and off-balance sheet items SME loans</b> | <b>1,377</b>          | <b>-23</b>                  | <b>1,354</b> |             | <b>1.7%</b>    | <b>1,224</b>          | <b>-25</b>                  | <b>1,199</b> |             | <b>2.0%</b>    |

1 Gross SME loans include mortgage-backed loans for a gross amount of € 1,201 million (31-12-2022: € 1,051 million).

2 Off-balance sheet: liabilities from irrevocable facilities and guarantees.

#### Transfers between stages in the gross carrying amount of SME loans Audited

| in € millions       | 2023    |         |         |       | 2022    |         |         |       |
|---------------------|---------|---------|---------|-------|---------|---------|---------|-------|
|                     | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| Transfer to stage 1 | 41      | -38     | -3      | --    | 83      | -78     | -5      | --    |
| Transfer to stage 2 | -48     | 55      | -7      | --    | -47     | 64      | -17     | --    |
| Transfer to stage 3 | -4      | -4      | 8       | --    | -5      | -4      | 9       | --    |



**Changes in the provision for credit losses for SME loans** Audited

The credit loss provision for SME loans declined from € 24 million in 2022 to € 22 million, mainly thanks to recoveries from stage 3 or transfers within stage 3 to probation. Although the credit quality of the portfolio remained reasonable and incurred credit losses on SME loans were minimal, stage 2 exposure rose due to an increase in exposures in arrears.

**Changes in the provision for credit losses for SME loans** Audited

| in € millions                              | 2023                   |          |           |           | 2022      |          |           |           | Off-balance sheet items <sup>1</sup> |           |
|--|------------------------|----------|-----------|-----------|-----------|----------|-----------|-----------|--------------------------------------|-----------|
|  | Stage 1                | Stage 2  | Stage 3   | Total     | Stage 1   | Stage 2  | Stage 3   | Total     | 2023                                 | 2022      |
|  | <b>Opening balance</b> | 6        | 7         | 11        | 24        | 6        | 4         | 13        | 23                                   | 1         |
| Transfer to stage 1                        | --                     | -2       | -1        | -3        | --        | -2       | -1        | -3        | --                                   | --        |
| Transfer to stage 2                        | --                     | 4        | -2        | 2         | --        | 5        | -3        | 2         | --                                   | --        |
| Transfer to stage 3                        | --                     | -1       | 2         | 1         | --        | --       | 2         | 2         | --                                   | --        |
| Change in credit risk                      | -1                     | --       | --        | -1        | --        | --       | 1         | 1         | -1                                   | -1        |
| Originated or purchased                    | 1                      | 1        | --        | 2         | 1         | 1        | 1         | 3         | 1                                    | 1         |
| Matured or sold                            | --                     | --       | -1        | -1        | --        | -1       | -1        | -2        | --                                   | --        |
| Change in management overlay               | -1                     | --       | --        | -1        | -1        | --       | --        | -1        | --                                   | --        |
| <b>Impairment charges (releases)</b>       | <b>-1</b>              | <b>2</b> | <b>-2</b> | <b>-1</b> | <b>--</b> | <b>3</b> | <b>-1</b> | <b>2</b>  | <b>--</b>                            | <b>--</b> |
| Write-offs                                 | --                     | --       | -1        | -1        | --        | --       | -1        | -1        | --                                   | --        |
| <b>Closing balance</b>                     | <b>5</b>               | <b>9</b> | <b>8</b>  | <b>22</b> | <b>6</b>  | <b>7</b> | <b>11</b> | <b>24</b> | <b>1</b>                             | <b>1</b>  |
| <i>Of which:</i>                           |                        |          |           |           |           |          |           |           |                                      |           |
| <i>management overlay</i>                  |                        |          |           | 3         |           |          |           | 4         | --                                   | --        |
| <b>Total impairment charges (releases)</b> |                        |          |           | <b>-1</b> |           |          |           | <b>2</b>  | <b>--</b>                            | <b>--</b> |

<sup>1</sup> Off-balance sheet: liabilities from irrevocable facilities, guarantees and repurchase commitments. The provision for credit losses of off-balance sheet items is reported in Provisions (see also Note 16 to the consolidated financial statements).

**Credit quality of SME loans**

**SME loans by LtV bucket as at 31 December 2023<sup>1</sup>** Audited

| in € millions          | Gross carrying amount |            |           |              | Provision for credit losses |           |           |           | Coverage ratio <sup>2</sup> |             |             |              |             |
|------------------------|-----------------------|------------|-----------|--------------|-----------------------------|-----------|-----------|-----------|-----------------------------|-------------|-------------|--------------|-------------|
|                        | Stage 1               | Stage 2    | Stage 3   | Total        | Stage 1                     | Stage 2   | Stage 3   | Total     | Stage 1                     | Stage 2     | Stage 3     | Total        |             |
|                        | ≤ 75%                 | 358        | 31        | 13           | 402                         | 33%       | -1        | -1        | -2                          | -4          | 0.2%        | 2.9%         | 15.4%       |
| >75 ≤ 100%             | 503                   | 54         | 13        | 570          | 46%                         | -2        | -4        | -2        | -8                          | 0.5%        | 6.9%        | 17.2%        | 1.5%        |
| >100 ≤ 110%            | 134                   | 21         | 5         | 160          | 13%                         | -1        | -2        | -2        | -5                          | 0.6%        | 9.1%        | 43.0%        | 3.2%        |
| >110 ≤ 125%            | 44                    | 8          | 1         | 53           | 4%                          | -1        | --        | --        | -1                          | 0.8%        | 5.4%        | 18.5%        | 1.8%        |
| > 125%                 | 30                    | 13         | 7         | 50           | 4%                          | --        | -2        | -2        | -4                          | 1.5%        | 13.9%       | 30.1%        | 8.8%        |
| <b>Total SME loans</b> | <b>1,069</b>          | <b>127</b> | <b>39</b> | <b>1,235</b> | <b>100%</b>                 | <b>-5</b> | <b>-9</b> | <b>-8</b> | <b>-22</b>                  | <b>0.5%</b> | <b>7.1%</b> | <b>20.5%</b> | <b>1.8%</b> |

<sup>1</sup> LtV based on foreclosure value of collateral.

<sup>2</sup> The coverage ratios in this table are calculated with unrounded figures.

**SME loans by LtV bucket as at 31 December 2022<sup>1</sup>** Audited

| in € millions          | Gross carrying amount |            |           |              | Provision for credit losses |           |           |            | Coverage ratio <sup>2</sup> |             |             |              |             |
|------------------------|-----------------------|------------|-----------|--------------|-----------------------------|-----------|-----------|------------|-----------------------------|-------------|-------------|--------------|-------------|
|                        | Stage 1               | Stage 2    | Stage 3   | Total        | Stage 1                     | Stage 2   | Stage 3   | Total      | Stage 1                     | Stage 2     | Stage 3     | Total        |             |
|                        | ≤ 75%                 | 312        | 19        | 11           | 342                         | 32%       | -1        | -1         | -2                          | -4          | 0.3%        | 2.5%         | 17.3%       |
| >75 ≤ 100%             | 430                   | 43         | 15        | 488          | 45%                         | -3        | -3        | -2         | -8                          | 0.7%        | 6.7%        | 15.4%        | 1.6%        |
| >100 ≤ 110%            | 111                   | 19         | 2         | 132          | 12%                         | -1        | -1        | -1         | -3                          | 1.0%        | 6.8%        | 20.6%        | 2.2%        |
| >110 ≤ 125%            | 45                    | 11         | 2         | 58           | 5%                          | 0         | -1        | --         | -1                          | 1.1%        | 7.3%        | 21.1%        | 3.0%        |
| > 125%                 | 35                    | 14         | 16        | 65           | 6%                          | -1        | -1        | -6         | -8                          | 1.9%        | 10.0%       | 34.9%        | 11.8%       |
| <b>Total SME loans</b> | <b>933</b>            | <b>106</b> | <b>46</b> | <b>1,085</b> | <b>100%</b>                 | <b>-6</b> | <b>-7</b> | <b>-11</b> | <b>-24</b>                  | <b>0.6%</b> | <b>6.6%</b> | <b>23.9%</b> | <b>2.2%</b> |

<sup>1</sup> LtV based on foreclosure value of collateral.

<sup>2</sup> The coverage ratios in this table are calculated with unrounded figures.

**Internal rating classes of SME loans** Audited

| in € millions          |                  | 2023                  |            |           |              |                             |           |           |            | 2022                  |            |           |              |                             |           |            |            |            |
|------------------------|------------------|-----------------------|------------|-----------|--------------|-----------------------------|-----------|-----------|------------|-----------------------|------------|-----------|--------------|-----------------------------|-----------|------------|------------|------------|
|                        |                  | Gross carrying amount |            |           |              | Provision for credit losses |           |           |            | Gross carrying amount |            |           |              | Provision for credit losses |           |            |            |            |
|                        |                  | Stage 1               | Stage 2    | Stage 3   | Total        | Stage 1                     | Stage 2   | Stage 3   | Total      | Stage 1               | Stage 2    | Stage 3   | Total        | Stage 1                     | Stage 2   | Stage 3    | Total      |            |
| Internal rating grade  | PD scaling       |                       |            |           |              |                             |           |           |            |                       |            |           |              |                             |           |            |            |            |
|                        | Not rated        | --                    | --         | --        | --           | --                          | --        | --        | --         | --                    | --         | --        | --           | --                          | --        | --         | --         | --         |
| 1                      | 0.00 to <0.15    | --                    | --         | --        | --           | --                          | --        | --        | --         | --                    | --         | --        | --           | --                          | --        | --         | --         | --         |
| 2                      | 0.15 to <0.25    | 1                     | --         | --        | 1            | --                          | --        | --        | --         | --                    | --         | --        | --           | --                          | --        | --         | --         | --         |
| 3                      | 0.25 to <0.35    | 9                     | --         | --        | 9            | --                          | --        | --        | --         | 7                     | --         | --        | 7            | --                          | --        | --         | --         | --         |
| 4                      | 0.35 to <0.50    | 23                    | --         | --        | 23           | --                          | --        | --        | --         | 19                    | --         | --        | 19           | --                          | --        | --         | --         | --         |
| 5                      | 0.50 to <0.75    | 94                    | --         | --        | 94           | --                          | --        | --        | --         | 67                    | --         | --        | 67           | --                          | --        | --         | --         | --         |
| 6                      | 0.75 to <1.25    | 245                   | --         | --        | 245          | -1                          | --        | --        | -1         | 168                   | --         | --        | 168          | -1                          | --        | --         | -1         | -1         |
| 7                      | 1.25 to <1.50    | 59                    | --         | --        | 59           | --                          | --        | --        | --         | 47                    | --         | --        | 47           | --                          | --        | --         | --         | --         |
| 8                      | 1.50 to <1.75    | 45                    | --         | --        | 45           | --                          | --        | --        | --         | 45                    | --         | --        | 45           | --                          | --        | --         | --         | --         |
| 9                      | 1.75 to <3.50    | 394                   | 2          | --        | 396          | -2                          | --        | --        | -2         | 361                   | 2          | --        | 363          | -2                          | --        | --         | -2         | -2         |
| 10                     | 3.50 to <10.00   | 199                   | 9          | --        | 208          | -2                          | --        | --        | -2         | 219                   | 11         | --        | 230          | -3                          | --        | --         | -3         | -3         |
| 11                     | 10.00 to <15.00  | --                    | 18         | --        | 18           | --                          | -1        | --        | -1         | --                    | 18         | --        | 18           | --                          | -1        | --         | -1         | -1         |
| 12                     | 15.00 to <25.00  | --                    | 21         | --        | 21           | --                          | -1        | --        | -1         | --                    | 17         | --        | 17           | --                          | -1        | --         | -1         | -1         |
| 13                     | 25.00 to <100.00 | --                    | 77         | --        | 77           | --                          | -7        | --        | -7         | --                    | 58         | --        | 58           | --                          | -5        | --         | -5         | -5         |
| Default                | 100.00           | -                     | --         | 39        | 39           | --                          | --        | -8        | -8         | --                    | --         | 46        | 46           | --                          | --        | -11        | -11        | -11        |
| <b>Total SME loans</b> |                  | <b>1,069</b>          | <b>127</b> | <b>39</b> | <b>1,235</b> | <b>-5</b>                   | <b>-9</b> | <b>-8</b> | <b>-22</b> | <b>933</b>            | <b>106</b> | <b>46</b> | <b>1,085</b> | <b>-6</b>                   | <b>-7</b> | <b>-11</b> | <b>-24</b> | <b>-24</b> |

**Stage 3 SME loans vintage analysis**

| Time in default (as a % of total gross amount) | 2023        | 2022        |
|--|-------------|-------------|
| < 1 year                                       | 25%         | 26%         |
| 1-3 years                                      | 27%         | 37%         |
| 3-5 years                                      | 16%         | 6%          |
| 5-10 years                                     | 16%         | 18%         |
| > 10 years                                     | 16%         | 13%         |
| <b>Total</b>                                   | <b>100%</b> | <b>100%</b> |

## SME loans in arrears

### SME loans in arrears as at 31 December 2023 Audited

| in € millions          | Gross carrying amount | No arrears   | > 30 days            |                      |                      | %           |
|------------------------|-----------------------|--------------|----------------------|----------------------|----------------------|-------------|
|                        |                       |              | ≤ 30 days in arrears | ≤ 90 days in arrears | > 90 days in arrears |             |
| Stage 1                | 1,069                 | 1,068        | 1                    | --                   | --                   | 0.1%        |
| Stage 2                | 127                   | 96           | 16                   | 5                    | 10                   | 24.4%       |
| Stage 3                | 39                    | 22           | 2                    | 3                    | 12                   | 43.6%       |
| <b>Total SME loans</b> | <b>1,235</b>          | <b>1,186</b> | <b>19</b>            | <b>8</b>             | <b>22</b>            | <b>4.0%</b> |

### SME loans in arrears as at 31 December 2022 Audited

| in € millions          | Gross carrying amount | No arrears   | > 30 days            |                      |                      | %           |
|------------------------|-----------------------|--------------|----------------------|----------------------|----------------------|-------------|
|                        |                       |              | ≤ 30 days in arrears | ≤ 90 days in arrears | > 90 days in arrears |             |
| Stage 1                | 933                   | 931          | 2                    | --                   | --                   | 0.2%        |
| Stage 2                | 106                   | 86           | 6                    | 5                    | 9                    | 18.9%       |
| Stage 3                | 46                    | 33           | 5                    | 2                    | 6                    | 28.3%       |
| <b>Total SME loans</b> | <b>1,085</b>          | <b>1,050</b> | <b>13</b>            | <b>7</b>             | <b>15</b>            | <b>3.2%</b> |

## Credit risk concentration of SME loans

### SME loans by sector<sup>1</sup>

| in € millions                                     | 2023                  |                             | 2022                  |                             |
|---|-----------------------|-----------------------------|-----------------------|-----------------------------|
|   | Gross carrying amount | Provision for credit losses | Gross carrying amount | Provision for credit losses |
| Agriculture, forestry and fishing                 | 15                    | -1                          | 14                    | -1                          |
| Manufacturing                                     | 64                    | -3                          | 60                    | -3                          |
| Construction                                      | 117                   | -2                          | 100                   | -2                          |
| Wholesale and retail trade                        | 237                   | -3                          | 213                   | -3                          |
| Transport and storage                             | 10                    | --                          | 9                     | --                          |
| Accommodation and food service activities         | 60                    | -1                          | 55                    | -2                          |
| Information and communication                     | 9                     | --                          | 7                     | --                          |
| Financial and insurance activities                | 291                   | -4                          | 241                   | -4                          |
| Real estate activities                            | 196                   | -4                          | 185                   | -5                          |
| Professional, scientific and technical activities | 129                   | -3                          | 103                   | -2                          |
| Administrative and support service activities     | 29                    | -1                          | 24                    | --                          |
| Education   | 9                     | --                          | 8                     | --                          |
| Human health services and social work activities  | 28                    | --                          | 27                    | --                          |
| Arts, entertainment and recreation                | 16                    | --                          | 17                    | -1                          |
| Other   | 25                    | --                          | 24                    | -1                          |
| <b>Total SME loans</b>                            | <b>1,235</b>          | <b>-22</b>                  | <b>1,085</b>          | <b>-24</b>                  |

<sup>1</sup> Based on the activity classification of the European Union (Nomenclature statistique des activités économiques dans la Communauté Européenne, NACE).

#### 4.4.10 Other corporate and government loans

##### Developments in the corporate and government loan portfolio in 2023

Other corporate and government loans consist mainly of the loan portfolio of ASN Bank, of which 77% consists of loans in the sustainable industry, such as solar and

wind energy companies. The remaining part relates to private placement loans to local authorities and guaranteed loans to housing associations and hospitals. These loans are predominantly supported by government incentives (subsidies and price guarantees). This makes the portfolio very secure, ensuring a low level of credit risk.

##### Other corporate and government loans by stage

##### Exposure to other corporate and government loans by stage Audited

| in € millions  | 2023                  |                             |              |             |                | 2022                  |                             |              |             |                |
|--|-----------------------|-----------------------------|--------------|-------------|----------------|-----------------------|-----------------------------|--------------|-------------|----------------|
|  | Gross carrying amount | Provision for credit losses | Book value   | Stage ratio | Coverage ratio | Gross carrying amount | Provision for credit losses | Book value   | Stage ratio | Coverage ratio |
| Stage 1  | 1,746                 | -2                          | 1,744        | 94.4%       | 0.1%           | 1,665                 | -1                          | 1,664        | 95.2%       | 0.1%           |
| Stage 2  | 66                    | -1                          | 65           | 3.6%        | 1.5%           | 43                    | --                          | 43           | 2.5%        | 0.0%           |
| Stage 3  | 38                    | -31                         | 7            | 2.0%        | 81.6%          | 41                    | -22                         | 19           | 2.3%        | --             |
| <b>Total other corporate and government loans</b>                                | <b>1,850</b>          | <b>-34</b>                  | <b>1,816</b> |             | <b>1.8%</b>    | <b>1,749</b>          | <b>-23</b>                  | <b>1,726</b> |             | <b>1.3%</b>    |
| Off-balance sheet items stage 1  | 480                   | --                          | 480          |             | 0.0%           | 521                   | -1                          | 520          |             | 0.2%           |
| Off-balance sheet items stage 2  | 20                    | -1                          | 19           |             | --             | --                    | --                          | --           |             | --             |
| Off-balance sheet items stage 3  | --                    | --                          | --           |             | --             | --                    | --                          | --           |             | --             |
| <b>Total off-balance sheet items<sup>1</sup></b>                                 | <b>500</b>            | <b>-1</b>                   | <b>499</b>   |             | <b>0.2%</b>    | <b>521</b>            | <b>-1</b>                   | <b>520</b>   |             | <b>0.2%</b>    |
| <b>Total on and off-balance sheet items other corporate and government loans</b> | <b>2,350</b>          | <b>-35</b>                  | <b>2,315</b> |             | <b>1.5%</b>    | <b>2,270</b>          | <b>-24</b>                  | <b>2,246</b> |             | <b>1.1%</b>    |

<sup>1</sup> Off-balance sheet: liabilities from irrevocable facilities and guarantees.

##### Transfers between stages in the gross carrying amount of other corporate and government loans Audited

| in € millions       | 2023    |         |         |       | 2022    |         |         |       |
|---------------------|---------|---------|---------|-------|---------|---------|---------|-------|
|                     | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| Transfer to stage 1 | 89      | -88     | -1      | --    | 58      | -58     | --      | --    |
| Transfer to stage 2 | -55     | 55      | --      | --    | -25     | 25      | --      | --    |
| Transfer to stage 3 | --      | --      | --      | --    | -1      | -40     | 41      | --    |

**Changes in the provision for credit losses for corporate and government loans** Audited

In 2023, the total credit loss provision for other corporate and government loans rose to € 34 million (2022: € 23 million), mainly due to the increase in credit risk for a few

individual corporate loans. There were no loans in arrears at year-end 2023 (year-end 2022: no loans in arrears).

**Changes in the provisions for credit losses for other corporate and government loans** Audited

| in € millions                              | 2023     |          |           |           | 2022     |         |           |           | Off-balance sheet items <sup>1</sup> |          |
|--|----------|----------|-----------|-----------|----------|---------|-----------|-----------|--------------------------------------|----------|
|  | Stage 1  | Stage 2  | Stage 3   | Total     | Stage 1  | Stage 2 | Stage 3   | Total     | 2023                                 | 2022     |
| <b>Opening balance</b>                     | <b>1</b> | --       | <b>22</b> | <b>23</b> | <b>1</b> | --      | --        | <b>1</b>  | <b>1</b>                             | --       |
| Transfer to stage 1                        | --       | -1       | --        | -1        | --       | --      | --        | --        | --                                   | --       |
| Transfer to stage 2                        | --       | 1        | --        | 1         | --       | --      | --        | --        | --                                   | --       |
| Transfer to stage 3                        | --       | --       | 9         | 9         | --       | --      | 22        | 22        | --                                   | --       |
| Change in credit risk                      | --       | --       | --        | --        | --       | --      | --        | --        | -1                                   | --       |
| Originated or purchased                    | 1        | 1        | --        | 2         | --       | --      | --        | --        | 1                                    | 1        |
| Matured or sold                            | --       | --       | --        | --        | --       | --      | --        | --        | --                                   | --       |
| <b>Impairment charges (releases)</b>       | <b>1</b> | <b>1</b> | <b>9</b>  | <b>11</b> | --       | --      | <b>22</b> | <b>22</b> | --                                   | <b>1</b> |
| Write-offs                                 | --       | --       | --        | --        | --       | --      | --        | --        | --                                   | --       |
| <b>Closing balance</b>                     | <b>2</b> | <b>1</b> | <b>31</b> | <b>34</b> | <b>1</b> | --      | <b>22</b> | <b>23</b> | <b>1</b>                             | <b>1</b> |
| Impairment charges (releases)              |          |          |           | 11        |          |         |           | 22        | --                                   | 1        |
| Recoveries and other charges through P&L   |          |          |           | --        |          |         |           | --        | --                                   | --       |
| <b>Total impairment charges (releases)</b> |          |          |           | <b>11</b> |          |         |           | <b>22</b> | <b>--</b>                            | <b>1</b> |

<sup>1</sup> Off-balance sheet: liabilities from irrevocable facilities, guarantees and repurchase commitments. The provision for credit losses of off-balance sheet items is reported in Provisions (see also Note 16 to the consolidated financial statements).

**Credit risk concentration of corporate and government loans****Breakdown of other corporate and government loans** Audited

| in € millions  | 2023         | 2022         |
|--|--------------|--------------|
| <b>Government</b>                                      | <b>402</b>   | <b>463</b>   |
| <i>of which cash loans</i>                             | 282          | 315          |
| <i>of which other private placement loans ASN Bank</i> | 120          | 148          |
| <b>Other financial corporations</b>                    | <b>264</b>   | <b>238</b>   |
| <i>of which sustainable funds ASN Bank</i>             | 252          | 229          |
| <i>of which cash loans</i>                             | 3            | --           |
| <i>of which other loans</i>                            | 9            | 9            |
| <b>Non-financial corporations</b>                      | <b>1,184</b> | <b>1,048</b> |
| <i>of which other private placement loans ASN Bank</i> | 240          | 277          |
| <i>of which sustainable loans ASN Bank</i>             | 944          | 771          |
| <b>Gross other corporate and government loans</b>      | <b>1,850</b> | <b>1,749</b> |
| Provision for credit losses                            | -34          | -23          |
| <b>Total other corporate and government loans</b>      | <b>1,816</b> | <b>1,726</b> |

**Cash loans**

Cash loans have a maturity of less than 3 months. At year-end 2023, they were all found in stage 1, with a negligible amount of provisions for credit losses.

**Other private placement loans**

Loans and advances to the public sector are mostly loans provided to Dutch municipalities and provinces and government-guaranteed loans to institutions. A part of these loans have government-issued guarantees for, for example, healthcare institutions or housing associations. Thus, the credit risk on these loans and advances is very low. All loans and advances to the public sector were found in stage 1, as was the case at the end of 2022.

**ASN Bank sustainable loans**

ASN Bank sustainable loans are mostly loans provided to special purpose vehicles (SPV) established to finance and operate wind farms, solar parks and other renewable energy projects, including a biomass power plant. The major part of the sustainable loans we provide are loans with government-guaranteed electricity prices or power purchase agreements and therefore the credit risk on these loans and advances is moderate to low.

In 2023, the credit loss provision amounted to € 34 million, mainly attributable to a few individual corporate loans. One of the lenders has a partial guarantee from the

shareholder regarding the functioning of the financed installation. This guarantee is taken into account and mitigates the credit risk and thus the provision.

The sustainable funds of ASN Bank consist of exposures to financial institutions that in turn provide sustainable financing. At year-end 2022, they all were found in stage 1 with a provision for credit losses of less than € 1 million.

**Loans to the government**

| in € millions             | 2023       | 2022       |
|---------------------------|------------|------------|
| The Netherlands           | 281        | 148        |
| EMU excl. the Netherlands | --         | 71         |
| Switzerland               | 121        | 244        |
| <b>Total</b>              | <b>402</b> | <b>463</b> |

**Loans to non-financial corporations****Loans to non-financial corporations by sector<sup>1</sup>**

| in € millions                                       | 2023                  |                             | 2022                  |                             |
|---|-----------------------|-----------------------------|-----------------------|-----------------------------|
|   | Gross carrying amount | Provision for credit losses | Gross carrying amount | Provision for credit losses |
| Manufacturing                                       | 11                    | --                          | 3                     | --                          |
| Electricity, gas, steam and air conditioning supply | 785                   | -32                         | 630                   | -23                         |
| Construction  | 20                    | --                          | 18                    | --                          |
| Financial and insurance activities                  | 54                    | -1                          | 26                    | --                          |
| Real estate activities                              | 163                   | --                          | 210                   | --                          |
| Professional, scientific and technical activities   | 29                    | --                          | 13                    | --                          |
| Administrative and support service activities       | 7                     | -1                          | 7                     | --                          |
| Human health services and social work activities    | 93                    | --                          | 109                   | --                          |
| Arts, entertainment and recreation                  | 12                    | --                          | 12                    | --                          |
| Other   | 10                    | --                          | 20                    | --                          |
| <b>Total non-financial corporations</b>             | <b>1,184</b>          | <b>-34</b>                  | <b>1,048</b>          | <b>-23</b>                  |

<sup>1</sup> Based on the activity classification of the European Union (Nomenclature statistique des activités économiques dans la Communauté Européenne, NACE).

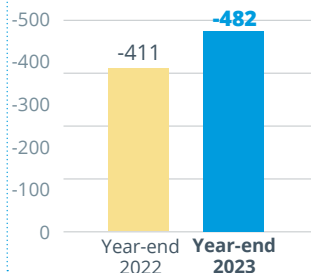
## 4.5 Market risk

The interest rate position was adjusted in 2023 to protect against a decline in short-term interest rates, while keeping long-term interest rate sensitivity limited.

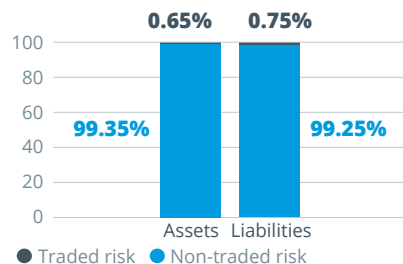
Volume of net interest income at risk year-end 2023

€ 53  
MILLION

Basis point value ( in € 1,000)



Exposure market risk year-end 2023



Market risk is the risk that may arise from de Volksbank concluding contracts and entering into obligations with customers and professional counterparties. Market risk may occur in the banking book and the trading portfolio.

### 4.5.1 Risk profile

Market risk in the banking book mainly comprises market interest rate risk, i.e. the risk that the bank's future interest income deteriorates when market rates change. This risk is part and parcel of a bank that provides mortgage and savings products. In addition, market liquid instruments with direct or indirect reference to market prices may be affected by credit spread risk. Other risks that may be qualified as market risk are very limited for de Volksbank. With equity holdings in other companies totalling € 14 million (2022: € 12 million), the equity (price) risk is small. Moreover, the banking book does not contain any exposure to commodities.

### 4.5.2 Management and control Audited

#### Interest rate risk in the banking book

Interest rate risk management aims to protect and generate stable net interest income. In the assessment and management of interest rate risks we take into account:

- anticipated prepayments on mortgage loans;
- anticipated early adjustments of mortgage rates;
- behavioural aspects of demand deposits;
- customer options in the products;
- effects of the current and anticipated interest rate environment;
- effects of interest rate developments that deviate from our expectations.

When managing the banking book's interest rate risk we focus on the interest income sensitivity to market rate movements. We measure the short to medium-term impact of market rate movements by using the Net Interest Income-at-Risk (NII-at-Risk) methodology, and the long-term impact by using the Economic Value of Equity (EVE) methodology.

#### Short-term interest rate risk: NII-at-Risk

To determine the NII-at-Risk, we measure the change in income due to deviations from the expected interest rate development over a horizon of one year, based on a dynamic balance sheet aligned with the regular planning process. Deviating interest rate scenarios are calibrated using statistical analysis, taking into account a floor for market interest rates. The NII-at-Risk calculations take into account diverging rate movements of different benchmark rates as part of the scenario-set, in order to capture basis risk.

#### Long-term interest rate risk: EVE

When applying the EVE methodology, we determine the economic value of all future incoming and outgoing cashflows based on current market rates. Basis point values at total level and per tenor are the key control measures of EVE sensitivity for day-to-day steering purposes.

The basis point value at total level is used to express the sensitivity of the EVE in euros in the event of a parallel interest rate increase of one basis point. The basis point values per tenor expresses this sensitivity at specific points on the yield curve, enabling us to identify sensitivity to non-parallel shifts in the market yield curve. The basis point value at the total level is applied as a replacement of the duration of equity, which expresses a relative loss, instead of a euro-denominated change in EVE.

Complementary to the basis point value measurements, protecting the EVE against stress in market interest rates is managed by considering its sensitivity to parallel and non-parallel curve movements of a greater magnitude, with a specific focus on potential adverse effects from (behavioral) non-linearity.

#### Mark-to-market impact on P&L and equity

Fair value changes of positions marked-to-market may result in P&L and/or (indirect) capital effects from marking-to-market. To manage this risk, the sensitivity of fair value movements from different interest rate and -where applicable- credit spread scenarios is monitored and managed for these items within our risk management framework.

On top of assessing the risk of direct revaluations being reflected in the P&L and/or capital, the impact of adverse credit spread movements on the fair value of our Hold to Collect (HTC) bond portfolio is taken into account. This assessment supports the

management of the potential risk of realising losses not reflected in the book value of these items, should a sale occur under stressed credit spreads.

### Currency risk

We mitigate currency risk by hedging most of our foreign currency exposures through FX swaps, where currency risk is managed on a day-to-day basis. The portfolios that contain currency risk are part of the set of portfolios for which VaR is calculated. These portfolios all have approved limits and are managed as such. We have hedged the remaining foreign currency risk in the banking book almost entirely with FX swaps. The equivalent of the total net foreign currency exposure of the banking book and trading book combined at the end of 2023 was € 5.4 million (2022: € 11.9 million).

| in € millions                          | 2023 | 2022 |
|--|------|------|
| Total net foreign currency exposure    | 5.4  | 11.9 |
| Currency exposure as a % Total capital | 0.1% | 0.3% |

Throughout 2023, de Volksbank deposited its excess liquidity into its account at the regulator. At the same time, de Volksbank continuously investigates opportunities in the market to optimise the return on its excess liquidity. Transactions are only executed with counterparties approved by de Volksbank's Risk department and its Credit Committee. Controls are continuously carried out and we report on them on a daily basis.

### Market risk in the trading book

The trading book may contain exposure to interest rate risk, credit spread risk and currency risk. Credit spread risk is only permitted by means of bond exposure in the HTCS (Hold to Collect and Sale) banking book part of the liquidity portfolio. The bank does not trade in credit default swaps. Exposure to equities or equity risk instruments also fall outside the scope of our policy.

Market risk in the trading portfolio is measured on a daily basis by using Value at Risk (VaR), Expected Shortfall (ES) and stress testing indicators, which are used for internal monitoring and to specify limits. VaR, ES as well as the stress tests look ahead to the next day (one-day horizon), applying a confidence interval for VaR of 99% and for ES of 97.5%. The total VaR limit for the trading book was set at € 4.5 million in September 2023 (2022: € 3 million), reflecting the relatively low risk profile of these activities in terms of size.

The VaR methodology is based on Historic simulations in which no underlying probability distribution is assumed. In these simulations, the VaR model takes into account interest rate risk, currency risk and credit spread risk. The risk appetite

for currency risk is also low. In addition to the VaR, currency risk is managed by monitoring FX limits on a daily basis.

### ESG Risk Assessment

In 2023, de Volksbank conducted an ESG Risk Assessment, for more information on the process and methodology of this assessment, see Section 4.9 Sustainability risk. The results of market risk and interest rate risk for the banking book from this ESG assessment are summarised below.

#### ESG Risk Assessment

| Risk type                       | ESG risk type |        |            |
|---------------------------------|---------------|--------|------------|
|                                 | Environmental | Social | Governance |
| Market risk                     | -             | -      | -          |
| Interest rate risk banking book | -             | -      | -          |

In 2023, the gross risk was assessed as low and therefore no mitigating actions were defined. However, as our ESG risk identification and assessment process is still evolving we will carry out this ESG risk assessment on a regular basis. Future ESG risk assessments could result in actions within market risk and IRRBB.

### 4.5.3 Figures, ratios and trends

#### Market risk profile in the banking book

##### Breakdown of interest rate risk

|   | 2023 | 2022 |
|---|------|------|
| Basis point value (in € 1,000)                              | -482 | -411 |
| NII-at-Risk (in € millions)                                 | 53   | 75   |
| Credit spread risk liquidity portfolio (in € millions) HTCS | 180  | 156  |
| Credit spread risk liquidity portfolio (in € millions) HTC  | 78   | 127  |

##### Basis point value

At year-end 2023, the basis point value stood at € -482 thousand, slightly more negative than at year-end 2022 (€ -411 thousand). In general, we opt for a gradual steering of the interest rate risk position through natural balance sheet development. In addition, we use interest rate derivatives. These derivatives can be linear and non-linear.



**Net Interest Income-at-Risk**

At year-end 2023, the NII-at-Risk amounted to € 53 million before tax (2022: € 75 million). This considerable reduction was mainly caused by a deliberate decrease in the net asset position for short-term repricing items. By reducing this exposure, we enhance the protection of interest income against a reduction in short-term interest rates.

**Credit spread risk**

At year-end 2023, the credit spread risk for HTCS and HTC liquidity portfolios amounted to € 180 million and € 78 million respectively (2022: € 156 million and

€ 127 million). The increase in the credit spread risk of the HTCS portfolio was due to the increased size of this portfolio. For the HTC portfolio, the strong decrease is almost entirely explained by a methodological change to remove accounting effects in the metric to isolate the inherent credit spread risk.

**Market risk exposure of trading risk and non-trading risk**

The overview below presents the balance sheet broken down by the risks associated with the banking book and the trading book. It shows that de Volksbank, in view of its activities, is particularly sensitive to the market interest rate risk in the banking book.

**Market risk exposure of trading risk and non-trading risk** Audited

| in € millions                             | Carrying amount | Market risk measure |            | Carrying amount | Market risk measure |            | Primary risk sensitivity                    |
|---|-----------------|---------------------|------------|-----------------|---------------------|------------|---|
|   |                 | Non-trading         | Trading    |                 | Non-trading         | Trading    |   |
|   | 2023            | 2023                | 2023       | 2022            | 2022                | 2022       |   |
| <b>Assets subject to market risk</b>      |                 |                     |            |                 |                     |            |   |
| Investments fair value through P&L        | 28              | 11                  | 17         | 34              | 9                   | 25         | interest rate, exchange rate, credit spread |
| Investments fair value OCI                | 3,279           | 3,279               | --         | 2,806           | 2,806               | --         | interest rate, credit spread                |
| Investments amortised costs               | 3,426           | 3,426               | --         | 2,751           | 2,751               | --         | interest rate, credit spread                |
| Derivatives                               | 2,544           | 2,099               | 445        | 3,302           | 2,947               | 355        | interest rate, exchange rate                |
| Loans and advances to customers           | 50,847          | 50,847              | --         | 48,966          | 48,966              | --         | interest rate                               |
| Loans and advances to banks               | 4,671           | 4,671               | --         | 6,884           | 6,884               | --         | interest rate                               |
| Cash and cash equivalents                 | 5,891           | 5,891               | --         | 8,011           | 8,011               | --         | interest rate                               |
| Other                                     | 374             | 374                 | --         | 414             | 414                 | --         |   |
| <b>Total assets</b>                       | <b>71,060</b>   | <b>70,598</b>       | <b>462</b> | <b>73,168</b>   | <b>72,788</b>       | <b>380</b> |   |
| <b>Liabilities subject to market risk</b> |                 |                     |            |                 |                     |            |   |
| Subordinated debts                        | 500             | 500                 | --         | 500             | 500                 | --         | interest rate                               |
| Debt certificates                         | 7,935           | 7,935               | --         | 7,544           | 7,544               | --         | interest rate, exchange rate                |
| Derivatives                               | 1,121           | 685                 | 436        | 924             | 606                 | 318        | interest rate, exchange rate                |
| Savings                                   | 43,623          | 43,623              | --         | 44,501          | 44,501              | --         | interest rate                               |
| Other amounts due to customers            | 11,287          | 11,287              | --         | 12,649          | 12,649              | --         | interest rate                               |
| Amounts due to banks                      | 1,947           | 1,847               | 100        | 2,805           | 2,573               | 232        | interest rate                               |
| Other                                     | 4,647           | 4,647               | --         | 4,245           | 4,245               | --         |   |
| <b>Total liabilities</b>                  | <b>71,060</b>   | <b>70,524</b>       | <b>536</b> | <b>73,168</b>   | <b>72,618</b>       | <b>550</b> |   |

The market risk exposure of the trading book increased to a carrying amount of € 462 million for assets, and decreased to € 536 million for liabilities (2022: € 380 million and € 550 million respectively).

### Sensitivity analysis

Sensitivity analyses illustrate the market interest rate risk. The table shows the impact of an immediate parallel shift of the market yield curve of +100 or -100 basis points (bps). We performed these analyses for three components: market value of equity, net interest income and IFRS equity. The impact on net interest income is shown on a one-year horizon. The reported outcomes are before taxation.

#### Sensitivity interest rates Audited

| in € millions                    | 2023              |                   | 2022              |                   |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                  | Interest rate +1% | Interest rate -1% | Interest rate +1% | Interest rate -1% |
| Market value equity <sup>1</sup> | -58               | -85               | -91               | 386               |
| Net interest income <sup>2</sup> | 85                | -87               | 135               | -136              |
| IFRS equity <sup>3</sup>         | -50               | 54                | -13               | 61                |

- 1 The market value of equity reflects the changes in all assets and liabilities values in the banking book at a market rate shock of 1%.
- 2 Net interest income shows the sensitivity of the net interest income to interest rate fluctuations for the first 12 months.
- 3 IFRS equity expresses the sensitivity resulting from the fair value through OCI investment portfolio and non-linear derivatives for which hedge accounting is not applied to a parallel 100 basis point interest rate increase or decrease.

#### Market value of equity

We derive the market value of equity from the market value of the assets and liabilities, where possible based on available market prices. If this is not possible, we determine the expected market value on the basis of the net present value of the cash flows. On top of the interest rates, we also take into account any product-specific characteristics, for both the cash flows and the discount rate. The change in the market value of equity is reflected by the difference in value that arises when 1% higher and lower interest rates are discounted.

A parallel interest rate shift of +100 bps would have a negative impact of € 58 million (2022: negative € 91 million) on the market value of equity. For this scenario, regular balance sheet and discount rate developments drive the change compared to year-end 2022. Assets -mainly mortgages- and derivatives display a increasing positive contribution in this scenario compared to last year. The development of liabilities partly offsets this, mainly as a result of lower value sensitivities of retail funding and covered bonds.

A parallel interest rate shift of -100 bps would have a negative impact of € 85 million (2022: positive € 386 million) on the market value of equity. In this scenario, the value of our assets increases, but is more than offset by a value increase of liabilities and a value decrease of derivatives. As client rates on non-maturing deposits have risen significantly compared to last year, a 100 bps downward shock is now fully reflected in discount rates of savings accounts, resulting in a much larger value increase on the liability-side when compared to year-end 2022.

#### Net interest income

A parallel interest rate shift of +100 bps would yield a positive impact on one-year forward-looking net interest income of € 85 million at year-end 2023 (2022: € 135 million), while a parallel interest rate shift of -100 bps would have a negative impact of € 87 million (2022: negative € 136 million). The sensitivity of net interest income is primarily driven by the liquidity position and derivatives, comprising the majority of short-term repricing items. The considerable reduction in net interest income sensitivities compared to year-end 2022 was mainly caused by a deliberate decrease in the net asset position of these short-term repricing items. By reducing this exposure, we enhance protection of interest income against a reduction in short-term interest rates, with the downside of benefitting less from interest rate increases.

#### IFRS Equity

A parallel interest rate shift of +100 bps will have a direct negative impact on IFRS equity of € 50 million (2022: negative € 13 million), whereas a parallel interest rate shift of -100 bps will have a positive impact on IFRS equity of € 54 million (2022: € 61 million). The interest rate sensitivity of IFRS equity is reflected in the fair value reserve and other interest income. This is a consequence of changes in the fair value of the HTCS liquidity portfolio, including related interest rate derivatives, combined with the fair value changes of non-linear derivatives not included in hedge accounting. The higher sensitivity for a +100 bps rate shift compared to last year is mainly caused by the fact that per year-end 2023 we no longer hold any non-linear derivatives to hedge against a sharp increase in long-term interest rates.

## 4.6 Liquidity risk and funding strategy

The bank has a strong liquidity position to continuously meet its financial obligations. Savings are our main source of funding. In 2023, the liquidity position remained substantially above de Volksbank's minimum target and regulatory minimum requirements. Hence, we regard the size and composition of our liquidity position sufficiently robust, also in the light of current geopolitical uncertainties.

**Liquidity position year-end 2023**

€ **15.6**  
BILLION

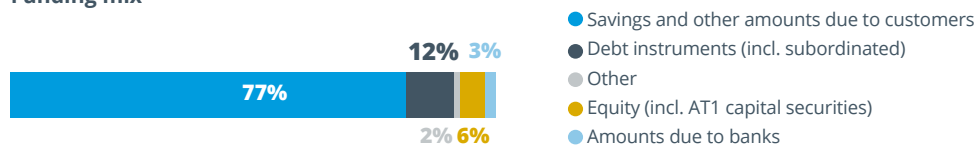
**Green notes issuance in 2023**

€ **1.0**  
BILLION

**Long-term senior unsecured credit rating**



**Funding mix**



Liquidity risk is the risk that de Volksbank, under normal circumstances as well as in times of stress, has insufficient liquid assets available in the short, medium or long term to meet its financial obligations without incurring unacceptable costs or losses. Liquidity risk also includes the situation in which the balance sheet structure develops in such a way that de Volksbank suffers excessive exposure to a disruption of its funding sources.

Liquidity management supports de Volksbank's strategy within our risk appetite.

### 4.6.1 Risk profile

De Volksbank has a strong liquidity position, enabling it to meet its financial obligations at all times. We manage our liquidity position such that we are able to absorb the consequences of bank-specific and market-wide stress factors, such as stress in the money and/or capital markets.

To fund our liquidity needs, we seek to diversify our funding sources in accordance with our funding strategy.

### 4.6.2 Management and control Audited

De Volksbank centrally manages its liquidity position, cash flows and liquidity risks. The risk management cycle as defined in Section 4.1 Risk Management Structure that is used to manage liquidity risk, constitutes the Internal Liquidity Adequacy

Assessment Process (ILAAP). This process is performed on a continuous basis, to monitor de Volksbank's liquidity profile and to ensure the timely awareness of developments that may require action. The objective of the ILAAP is to ensure appropriate coverage of all liquidity risk and control elements, and to evaluate how planned and expected developments could influence the adequacy of de Volksbank's liquidity profile. The risk management lifecycle applies to liquidity risk management in the following way:

1. Identification of liquidity risks: we continuously aim to identify all potential risks within the scope of liquidity management. For example, we perform an independent risk review of all relevant liquidity management-related proposals.
2. Assessment of liquidity risks: one element of the ILAAP is that we continuously assess the adequacy of our liquidity profile and liquidity risk management. ILAAP provides input for the ECB's Supervisory Review & Evaluation Process (SREP). We present the outcome of our assessment in the annual ILAAP Liquidity Adequacy Statement (LAS) report. We compare the current and expected risk profile with the risk limits that we have established. We not only use our findings to make adjustments to the actual liquidity profile, risk appetite, policy or guidelines, but also to improve the risk management process. The assessment of liquidity risks within the liquidity risk management lifecycle also entails:
  - the annual recalibration of the liquidity management strategy. We lay down guidelines for a balance sheet structure with optimum efficiency from a liquidity risk perspective. In this process, we take account of the liquidity management objective, i.e. an adequate liquidity and funding profile.
  - the definition of actions in the capital and liquidity plan. We do this at least once a year, giving substance to the anticipated funding and liquidity needs ensuing from the Operational Plan. This plan has a multi-year horizon. To this end, we make forecasts of relevant risk indicators compared with the internal thresholds and work out various scenarios.
  - the updating of forecasts in the monthly Liquidity Adequacy Assessment Report (LAAR). The forecasts are updated every month based on the most recent insights and reported to the Asset and Liability Committee (ALCO). The LAAR includes a LAS based on the current risk profile versus the risk thresholds and a forward-looking assessment.
  - regular stress testing to provide insight into the key vulnerabilities and to assess the resilience of the liquidity position to severe but plausible adverse (economic) conditions. The results are included in the LAAR.
  - drawing up a recovery plan and contingency plan for adverse circumstances. These plans contain possible measures to strengthen the liquidity position. An annual update of the recovery plan contributes to de Volksbank's continuity. For more information, see Section 4.8.2 Management and control.
3. Risk response to liquidity risks: every year, we determine the Risk Appetite Statement (RAS) for liquidity risk in conjunction with de Volksbank's general risk appetite and strategic objectives. To monitor liquidity risk, we use specific risk

indicators and determine the level at which we feel comfortable on the basis of the liquidity risk appetite.

4. Monitoring liquidity risks: we monitor specific indicators on a daily basis and monitor early warning indicators defined in the RAS for liquidity risk on a regular basis in the Treasury Committee. On top of this, the ALCO monitors the RAS indicators in the LAAR on a monthly basis.
5. Residual risk: because of (unexpected) balance sheet or regulatory developments, we may not be able to identify or fully manage liquidity risks at all times. By carrying out the liquidity risk management lifecycle, we aim to identify any such risks and formulate a risk response.
6. Reporting liquidity risk indicators: we prepare regulatory and internal reports to measure, monitor and manage de Volksbank's liquidity profile on an ongoing basis.

### Management instruments

#### Liquidity position

In order to be able to instantly absorb unexpected increases in its liquidity need when necessary, de Volksbank maintains a liquidity position, including the central bank reserves. In addition, the liquidity position comprises a liquidity portfolio with unencumbered (highly) liquid investments that are eligible as ECB collateral and are registered in the DNB collateral pool. The investments included in our liquidity portfolio are required to meet our sustainability criteria.

Besides the central bank reserves, the liquidity position mainly consists of government (guaranteed) bonds and bonds of de Volksbank's own securitisations, known as Residential Mortgage Backed Securities (RMBS), with underlying mortgages of de Volksbank. We determine the liquidity value of bonds in the liquidity position on the basis of the fair value of the bonds after applying the percentage haircuts as determined by the ECB.

#### Liquidity stress testing

We test the robustness of the liquidity position by means of stress tests. To this end, we have defined various scenarios, of which the so-called combined severe stress test has the highest impact. In this scenario we take the following into account:

- a strong outflow of savings and current account balances;
- a lack of funding options in money and capital markets;
- a decline in the fair value of bonds in the liquidity position;
- additional collateral requirements in the event of a 3-notch downgrade in our credit rating;
- additional collateral requirements caused by margin requirements on derivatives;
- a possible liquidity outflow in the event that committed credit lines are drawn.

The objective of de Volksbank's liquidity management is to survive this severe stress scenario for a certain period of time. The impact of this stress scenario on the liquidity

position therefore serves as input to determine and monitor de Volksbank's risk capacity and risk appetite.

We perform the combined severe stress test every month and review the stress test scenarios every year.

#### Key liquidity ratios

The Liquidity Coverage Ratio (LCR) indicates whether we have adequate liquid assets to absorb a prescribed thirty-day stress scenario. The Net Stable Funding Ratio (NSFR) serves to determine the extent to which longer-term assets are financed with more stable forms of funding. Both liquidity standards are subject to a 100% regulatory minimum.

In addition to the LCR and NSFR, we manage the Loan-to-Deposit ratio and the degree of asset encumbrance. Whereas the liquidity position focuses on liquidity that is instantly available to function as counterbalancing capacity when necessary, we also manage liquidity with a short-term horizon through short-term loans and investments and money market funding. Apart from this, we monitor the liquidity that may potentially be generated from our assets. On this basis, we assess the extent to which we can absorb certain stress and extreme outflows of funds.

#### 4.6.3 Figures, ratios and trends

In 2023, the liquidity position remained substantially above de Volksbank's own minimum target and regulatory minimum requirements. We consider the size and composition of our liquidity position sufficiently robust. At the same time, in 2023 de Volksbank took the opportunity to increase the Loan-to-Deposit ratio, i.e. the ratio between the loans outstanding and deposits attracted.

### Liquidity indicators

| Liquidity indicators               |        |        |
|------------------------------------|--------|--------|
|                                    | 2023   | 2022   |
| LCR                                | 262%   | 233%   |
| NSFR                               | 166%   | 174%   |
| Loan-to-Deposit ratio <sup>1</sup> | 95%    | 90%    |
| Liquidity position (in € millions) | 15,600 | 17,208 |

<sup>1</sup> For the measurement methodology of this KPI, see section Reconciliation of alternative performance measures.

The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) remained well above the regulatory minimum of 100%. At year-end 2023, the LCR stood at 262% (2022: 233%) and the NSFR at 166% (2022: 174%).

Fundamental changes in the LCR are mainly driven by net cash flows resulting from loan growth, deposit changes, capital market funding developments and the net cash collateral position related to derivative positions. However, the resulting net cash impact is not necessarily reflected in actual withdrawable central bank reserves as part of high-quality liquid assets, because de Volksbank invests part of its available liquidity with several counterparties in the money market and also attracts money market funding. These cash management choices affect the liquidity in scope of the 30-day LCR window via both high-quality liquid assets and cash inflows and outflows within 30 days.

The Loan-to-Deposit ratio, increased to 95% at year-end 2023, from 90% at year-end 2022. This increase was driven by € 1.2 billion loan growth accompanied by a € 2.3 billion reduction in deposits. The latter is due to a reduction in current account balances, retail savings and SME savings. The decrease in retail savings is mainly explained by a gross outflow of customers with only a savings account with balances > € 25,000 following the introduction of the basic banking package in 2022 and our pricing policy. Overall, including an increase of active multi-customers, our retail savings portfolio declined to € 43.6 billion at year-end 2023, from € 44.5 billion at year-end 2022. Since the overall Dutch savings market grew in 2023, our market share for retail savings decreased to 9.5%, from 10.4% at year-end 2022.

#### Liquidity position Audited

#### Liquidity position Audited

| in € millions                                 | 2023          | 2022          |
|---|---------------|---------------|
| Central bank reserves                         | 6,334         | 8,309         |
| Sovereigns                                    | 473           | 324           |
| Regional/local governments and Supranationals | 1,758         | 1,641         |
| Eligible retained RMBS                        | 5,545         | 5,719         |
| Other liquid assets                           | 1,490         | 1,215         |
| <b>Liquidity position</b>                     | <b>15,600</b> | <b>17,208</b> |

The liquidity position amounted to € 15.6 billion at year-end 2023 (2022: € 17.2 billion).

Apart from changes in loans and deposits, cashflows in 2023 mainly came from capital market funding developments and a € 0.8 billion increase in the net cash collateral position related to derivative positions driven by a decrease in the interest rate curve for longer tenors. In 2023, cash outflows exceeded cash inflows and central bank reserves decreased from € 8.3 billion at year-end 2022 to € 6.3 billion. The reduction was partly offset by investing less available liquidity in the money market. At year-end 2023, € 4.9 billion in assets had been invested for cash management purposes (2022: € 6.3 billion), of which € 1.7 billion was held at Swiss banks (2022: € 3.1 billion) and was, therefore, not included in the central bank reserves.

The liquidity value of bonds in the DNB collateral pool amounted to € 9.3 billion at year-end 2023 (2022: € 8.9 billion), of which:

- the liquidity value of eligible retained RMBS declined to € 5.5 billion (year-end 2022: € 5.7 billion). In 2023, the Lowland 5 and 6 transactions were replaced by one Lowland 7 transaction;
- the value of other liquidity portfolio bonds in the liquidity position increased by € 0.5 billion due to a rise in the liquidity value and the fact that a higher amount of sovereign bonds was registered in the DNB collateral pool at year-end 2023. These sovereign bonds were not ring-fenced for other purposes, such as potential repo transactions.

#### 4.6.4 Encumbered and unencumbered assets

The level of asset encumbrance provides insight into the amount of assets that have been pledged or are subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which they cannot be freely withdrawn.

## Encumbered and unencumbered assets 2023

| in € millions                              | Median for four quarters |            |                     |            | Year-end          |            |                     |            |
|--|--------------------------|------------|---------------------|------------|-------------------|------------|---------------------|------------|
|  | Encumbered assets        |            | Unencumbered assets |            | Encumbered assets |            | Unencumbered assets |            |
|  | Carrying amount          | Fair value | Carrying amount     | Fair value | Carrying amount   | Fair value | Carrying amount     | Fair value |
| Equity securities                          | --                       | --         | 11                  | 11         | --                | --         | 12                  | 12         |
| Debt securities                            | 495                      | 481        | 5,785               | 5,574      | 571               | 560        | 6,148               | 5,753      |
| Other assets                               | 7,849                    |            | 58,529              |            | 7,817             |            | 56,511              |            |
| - of which mortgage loans                  | 6,730                    |            | 42,864              |            | 6,715             |            | 43,545              |            |
| <b>Assets of the reporting institution</b> | <b>8,375</b>             |            | <b>64,271</b>       |            | <b>8,388</b>      |            | <b>62,671</b>       |            |

## Encumbered and unencumbered assets 2022

| in € millions                              | Median for four quarters |            |                     |            | Year-end          |            |                     |            |
|--|--------------------------|------------|---------------------|------------|-------------------|------------|---------------------|------------|
|  | Encumbered assets        |            | Unencumbered assets |            | Encumbered assets |            | Unencumbered assets |            |
|  | Carrying amount          | Fair value | Carrying amount     | Fair value | Carrying amount   | Fair value | Carrying amount     | Fair value |
| Equity securities                          | --                       | --         | 9                   | 9          | --                | --         | 10                  | 10         |
| Debt securities                            | 637                      | 638        | 4,858               | 4,829      | 746               | 743        | 4,832               | 4,792      |
| Other assets                               | 8,297                    |            | 60,282              |            | 8,185             |            | 59,382              |            |
| - of which mortgage loans                  | 6,987                    |            | 42,035              |            | 6,942             |            | 42,265              |            |
| <b>Assets of the reporting institution</b> | <b>9,012</b>             |            | <b>65,052</b>       |            | <b>8,931</b>      |            | <b>64,224</b>       |            |

**The importance of asset encumbrance**

De Volksbank's main sources of funding are savings deposits and current account balances. In addition, we attract funding from the capital market through various funding instruments, as explained in more detail in Section 4.6.5 *Funding strategy*. These funding instruments include secured debt instruments such as covered bonds and securitisations. We have encumbered a limited part of our loan portfolio in these secured transactions. Other sources that contribute to asset encumbrance are the margining of derivative exposures to manage interest rate risk, a savings-based mortgage arrangement with Athora Netherlands and mandatory minimum reserve requirements.

**Total encumbered assets**

Based on the median of the four quarters, € 8.4 billion of the assets was encumbered during 2023. At year-end 2023, € 8.4 billion of the assets was encumbered (2022: € 8.9 billion), mainly on account of:

- outstanding covered bonds;
- collateral deposited in connection with derivative transactions;

- a savings-based mortgage arrangement with Athora Netherlands;
- cash reserve requirements;
- outstanding securitisations;
- repo transactions;
- foreign exchange transactions;
- payment transactions.

The decrease in 2023 was primarily due to a reduction in relation to secured funding and a reduction in collateral deposited in connection with derivative transactions.

At year-end 2023, the total amount of liabilities related to total encumbered assets stood at € 7.1 billion (2022: € 7.1 billion).

**Unencumbered assets**

The unencumbered part of the assets amounted to € 62.7 billion at year-end 2023 and may partly be converted into cash, for example through a securitisation. Securitised mortgages of which the bank itself holds the bonds are considered to

be unencumbered, except if these bonds are used as collateral, for instance in a repurchase transaction.

#### Collateral received

At year-end 2023, de Volksbank received a total amount of € 1.6 billion in collateral (2022: € 2.4 billion), consisting entirely of cash deposits that serve as collateral for the positive fair value of outstanding derivative positions.

### 4.6.5 Funding strategy

Our funding strategy supports de Volksbank's overall strategy.

Retail savings are de Volksbank's main source of funding. Through our brands, we attract term deposits, demand deposits and current account balances from retail customers. We also attract savings deposits and current account balances from SME customers. In 2023, customer deposits declined to € 54.3 billion, from € 56.6 billion at year-end 2022.

The objective of our funding strategy is to optimise the bank's liquidity and funding profile and to ensure access to diversified funding sources to maintain the bank's long-term funding position.

In addition to attracting savings deposits and current account balances, we, therefore, also attract funding from capital markets. For regulatory purposes and funding

diversification, this funding is attracted through various instruments with different terms and investor types spread over regions.

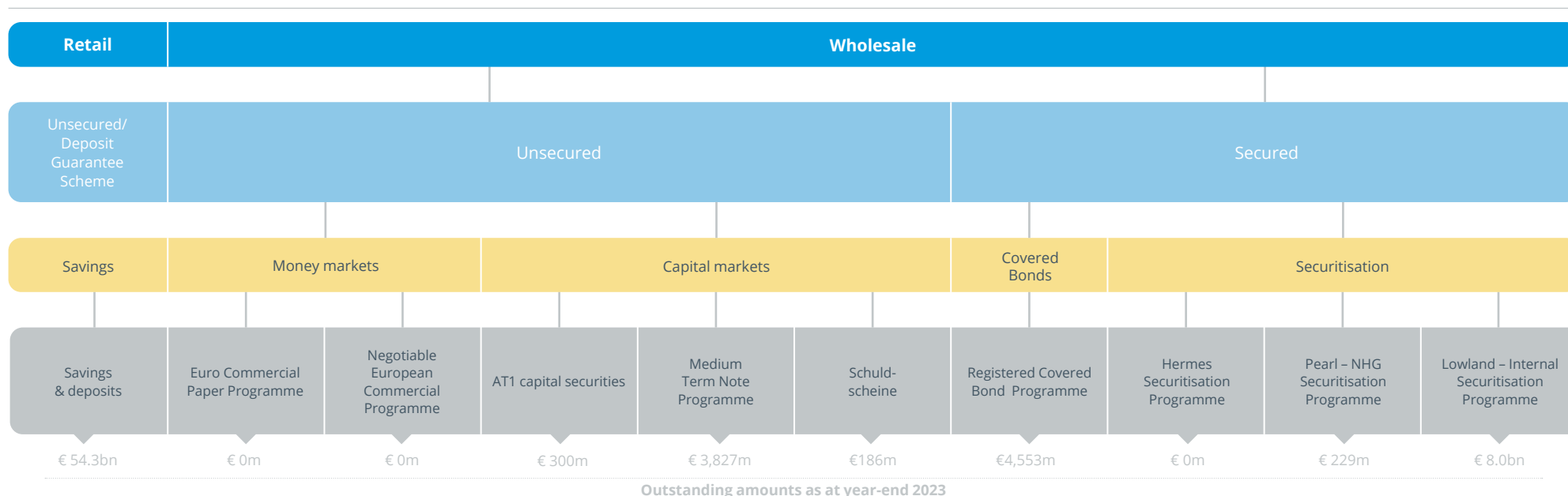
In addition to (subordinated) capital market funding to strengthen the bank's capital and MREL position, de Volksbank can issue capital market funding with maturities over one year through:

- senior (unsubordinated) unsecured debt;
- (mortgage) securitisations (RMBS);
- covered bonds.

The covered bond programme not only permits the issue of public covered bonds but also of private placements.

We issue funding with a term of up to one year in the money markets via their Euro Commercial Paper (ECP) and Negotiable European Commercial Paper (NEUCP) programmes.

The overview below presents the various public funding programmes, including maximum amounts and outstanding nominal value available to de Volksbank at year-end 2023. The overview also includes other important funding sources.



### Equity and liability mix

|  | 2023: € 71.1 billion | 2022: € 73.2 billion |
|--|----------------------|----------------------|
| Savings and other amounts due to customers | 77%                  | 78%                  |
| Debt instruments (incl. subordinated)      | 12%                  | 11%                  |
| Equity (incl. AT1 capital securities)      | 6%                   | 5%                   |
| Amounts due to banks                       | 3%                   | 4%                   |
| Other                                      | 2%                   | 2%                   |

The table above provides an overview of the book value-based composition of equity and total liabilities at year-end 2023 and 2022. The percentage of our funding that is made up of savings and other amounts due to customers declined to 77% (year-end 2022: 78%), mainly due to a decrease in customer deposits.

The table below provides an overview of the outstanding capital market funding with an original term of more than one year at year-end 2023 and 2022.

### Capital market funding mix (nominal)

| in € millions                       | 2023         | % of total | 2022         | % of total |
|-------------------------------------|--------------|------------|--------------|------------|
| AT1 and Tier 2 capital instruments  | 800          | 9%         | 800          | 9%         |
| <i>Of which green bonds</i>         | 800          |            | 800          |            |
| Senior non-preferred                | 2,500        | 27%        | 1,500        | 17%        |
| <i>Of which green bonds</i>         | 2,500        |            | 1,500        |            |
| Senior preferred                    | 1,013        | 11%        | 1,631        | 19%        |
| <i>Of which green bonds</i>         | 500          |            | 500          |            |
| Covered bonds                       | 4,553        | 50%        | 4,553        | 52%        |
| RMBS                                | 229          | 3%         | 278          | 3%         |
| <b>Total capital market funding</b> | <b>9,095</b> |            | <b>8,762</b> |            |
| <i>Of which green bonds</i>         | 3,800        |            | 2,800        |            |



For an explanation of the bank's green bond framework, see our website [Green Bonds/De volksbank](#).

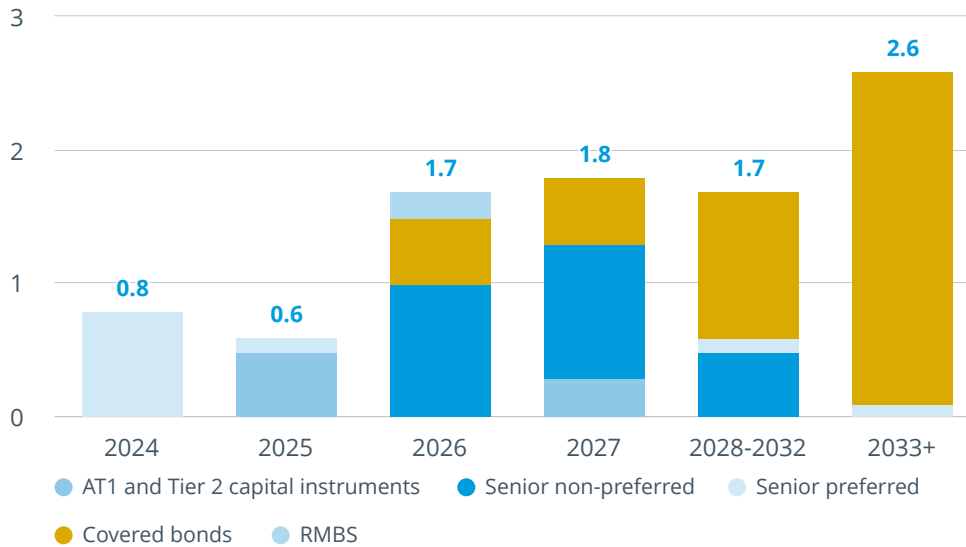
In 2023, de Volksbank successfully executed two capital market funding transactions to strengthen its MREL position, i.e.:

- € 0.5 billion in green senior non-preferred debt with a 7-year maturity;
- € 0.5 billion in green senior non-preferred debt with a 4 ½-year maturity.

As capital market funding redemptions in 2023 were limited to € 0.7 billion, capital market funding increased from € 8.8 billion to € 9.1 billion.

### Capital market funding maturity calendar

(in € billions)



The chart above presents an overview of the maturity calendar of the capital market funding outstanding with an original maturity of more than one year. In this chart we apply the assumption that this funding will be redeemed at the first call dates.

### Maturities of assets and liabilities

We can break down the assets and liabilities according to the remaining contractual term. The net maturing nominal amounts, i.e. assets minus liabilities per maturity are an indication of the:

- liquidity risk;
- obligations that may not be met on time from inflows.

The table on the next page represents de Volksbank's liquidity profile at year-end on the basis of the remaining contractual maturity. Demand deposits and current account balances are presented in the '<1 month' column. In the tables, we maintain the contractual maturity without taking into account behavioural aspects such as mortgage prepayments.

We do however, take into account behavioural aspects in the bank's asset & liability management. A shorter term to maturity is used for mortgages due to anticipated prepayments. A longer term to maturity is used for demand deposits and balances in customers' current accounts as, in normal circumstances, customers tend to hold on to such products for longer periods of time.

Loans and advances to banks and amounts due to banks also include collateral delivered and received in relation to derivative transactions. This collateral is allocated to the maturity buckets in accordance with the maturity classification of the derivative contracts.

## Remaining (contractual) maturity of assets and liabilities Audited

in € millions  
amounts discounted

|                                     | < 1 month     |               | Up to one year |              |                   |              | More than one year |              |               |               | Not determined |              | Total         |               |
|-------------------------------------|---------------|---------------|----------------|--------------|-------------------|--------------|--------------------|--------------|---------------|---------------|----------------|--------------|---------------|---------------|
|                                     |               |               | 1 - 3 months   |              | 3 months - 1 year |              | 1 - 5 years        |              | > 5 years     |               |                |              |               |               |
|                                     | 2023          | 2022          | 2023           | 2022         | 2023              | 2022         | 2023               | 2022         | 2023          | 2022          | 2023           | 2022         | 2023          | 2022          |
| <b>Assets</b>                       |               |               |                |              |                   |              |                    |              |               |               |                |              |               |               |
| Investments                         | 711           | 60            | 71             | 121          | 824               | 607          | 2,638              | 2,513        | 2,475         | 2,276         | 11             | 10           | 6,730         | 5,587         |
| Derivatives                         | 231           | 140           | 96             | 97           | 128               | 99           | 451                | 476          | 1,638         | 2,490         | --             | --           | 2,544         | 3,302         |
| Loans and advances to customers     | 212           | 244           | 337            | 460          | 956               | 916          | 3,856              | 3,551        | 45,486        | 43,795        | --             | --           | 50,847        | 48,966        |
| Loans and advances to banks         | 1,947         | 1,326         | 632            | 2,749        | 1,257             | 1,922        | 642                | 706          | 193           | 181           | --             | --           | 4,671         | 6,884         |
| Cash and balances at central banks  | 5,891         | 8,011         | --             | --           | --                | --           | --                 | --           | --            | --            | --             | --           | 5,891         | 8,011         |
| Tangible and intangible assets      | 1             | 1             | 2              | 2            | 19                | 27           | 2                  | --           | 8             | 8             | 45             | 47           | 77            | 85            |
| - of which right of use assets      | 1             | 1             | 2              | 2            | 19                | 27           | 1                  | --           | 8             | 8             | --             | --           | 31            | 38            |
| Tax assets                          | --            | --            | --             | --           | --                | --           | --                 | 12           | --            | --            | 14             | 55           | 14            | 67            |
| Other assets                        | 1             | 1             | --             | --           | --                | --           | 282                | 250          | --            | --            | 3              | 2            | 286           | 253           |
| <b>Total assets</b>                 | <b>8,994</b>  | <b>9,784</b>  | <b>1,138</b>   | <b>3,430</b> | <b>3,184</b>      | <b>3,570</b> | <b>7,871</b>       | <b>7,503</b> | <b>49,800</b> | <b>48,749</b> | <b>73</b>      | <b>114</b>   | <b>71,060</b> | <b>73,155</b> |
| <b>Liabilities</b>                  |               |               |                |              |                   |              |                    |              |               |               |                |              |               |               |
| Total equity                        | --            | --            | --             | --           | 1                 | 1            | 298                | 298          | --            | --            | 3,792          | 3,409        | 4,091         | 3,708         |
| Subordinated debts                  | --            | --            | --             | --           | --                | --           | 500                | 500          | --            | --            | --             | --           | 500           | 500           |
| Debt certificates                   | --            | 100           | 5              | --           | 700               | 490          | 3,795              | 3,526        | 3,435         | 3,428         | --             | --           | 7,935         | 7,544         |
| - of which senior unsecured         | --            | --            | 5              | --           | 700               | 490          | 2,067              | 2,252        | 585           | 82            | --             | --           | 3,357         | 2,824         |
| - of which covered bonds            | --            | --            | --             | --           | --                | --           | 1,498              | 996          | 2,849         | 3,346         | --             | --           | 4,347         | 4,342         |
| - of which RMBS                     | --            | --            | --             | --           | --                | --           | 230                | 278          | --            | --            | --             | --           | 230           | 278           |
| Derivatives                         | 253           | 151           | 104            | 89           | 163               | 87           | 232                | 358          | 369           | 239           | --             | --           | 1,121         | 924           |
| Savings                             | 39,901        | 42,621        | 57             | 20           | 894               | 86           | 1,035              | 528          | 1,736         | 1,246         | --             | --           | 43,623        | 44,501        |
| - of which due on demand            | 39,047        | 42,608        | --             | --           | --                | --           | --                 | --           | --            | --            | --             | --           | 39,047        | 42,608        |
| Other amounts due to customers      | 10,875        | 10,684        | 27             | 51           | 83                | 103          | 166                | 229          | 136           | 1,582         | --             | --           | 11,287        | 12,649        |
| - of which senior unsecured         | --            | --            | --             | --           | 52                | 51           | 119                | 63           | 24            | 20            | --             | --           | 195           | 134           |
| - of which covered bonds            | --            | --            | --             | --           | --                | --           | 46                 | 46           | 112           | 111           | --             | --           | 158           | 157           |
| Amounts due to banks                | 537           | 450           | 59             | 72           | 78                | 84           | 275                | 353          | 998           | 1,846         | --             | --           | 1,947         | 2,805         |
| - of which senior unsecured         | --            | --            | --             | --           | --                | 10           | --                 | --           | --            | --            | --             | --           | --            | 10            |
| - of which other                    | 537           | 450           | 59             | 72           | 78                | 73           | 275                | 353          | 998           | 1,846         | --             | --           | 1,947         | 2,794         |
| Provisions                          | --            | --            | --             | --           | --                | --           | --                 | --           | --            | --            | 44             | 66           | 44            | 66            |
| Tax liabilities                     | --            | --            | --             | --           | --                | --           | --                 | --           | --            | --            | 82             | 6            | 82            | 6             |
| Other liabilities                   | 379           | 392           | 3              | 3            | 12                | 34           | 23                 | --           | 1             | 12            | 12             | 11           | 430           | 452           |
| - of which lease liabilities        | 1             | 1             | 3              | 3            | 12                | 34           | 23                 | --           | 1             | 12            | --             | --           | 40            | 50            |
| <b>Total equity and liabilities</b> | <b>51,945</b> | <b>54,398</b> | <b>255</b>     | <b>235</b>   | <b>1,931</b>      | <b>885</b>   | <b>6,324</b>       | <b>5,792</b> | <b>6,675</b>  | <b>8,353</b>  | <b>3,930</b>   | <b>3,492</b> | <b>71,060</b> | <b>73,155</b> |

The table below provides a breakdown of the liquidity profiles for financial liabilities and derivatives on the liability side of the balance sheet at year-end. The table also shows the related future undiscounted contractual cashflows.

**Maturity schedule for financial liabilities** Audited

| In € millions<br>cashflows not discounted  | < 1 month     |               | 1 - 3 months |           | 3 months - 1 year |            | 1 - 5 years  |              | > 5 years    |              | Total         |               |
|--|---------------|---------------|--------------|-----------|-------------------|------------|--------------|--------------|--------------|--------------|---------------|---------------|
|  | 2023          | 2022          | 2023         | 2022      | 2023              | 2022       | 2023         | 2022         | 2023         | 2022         | 2023          | 2022          |
| Subordinated debts                         | --            | --            | --           | --        | 9                 | 9          | 509          | 518          | --           | --           | 518           | 527           |
| Debt certificates                          | 7             | 107           | 38           | 25        | 775               | 574        | 4,129        | 3,194        | 3,737        | 4,239        | 8,687         | 8,139         |
| Savings                                    | 39,900        | 42,570        | 57           | 20        | 894               | 86         | 1,035        | 528          | 1,736        | 1,246        | 43,622        | 44,450        |
| Other amounts due to customers             | 10,879        | 10,184        | 28           | 45        | 90                | 219        | 144          | 713          | 222          | 1,793        | 11,364        | 12,954        |
| Amounts due to banks                       | 537           | 27            | 59           | 4         | 78                | 14         | 275          | 233          | 998          | 1,321        | 1,947         | 1,599         |
| Lease obligations                          | 1             | 1             | 3            | 3         | 12                | 34         | 23           | --           | 1            | 12           | 41            | 50            |
| <b>Total</b>                               | <b>51,325</b> | <b>52,889</b> | <b>186</b>   | <b>97</b> | <b>1,857</b>      | <b>936</b> | <b>6,116</b> | <b>5,186</b> | <b>6,694</b> | <b>8,611</b> | <b>66,178</b> | <b>67,719</b> |
| Derivatives                                |               |               |              |           |                   |            |              |              |              |              |               |               |
| Interest rate derivatives                  | 11            | 13            | 13           | 17        | 82                | 176        | 344          | 351          | 259          | 143          | 709           | 700           |
| Currency contracts                         | 204           | 120           | 84           | 77        | 90                | 46         | 1            | 6            | --           | --           | 379           | 249           |
| <b>Total</b>                               | <b>215</b>    | <b>133</b>    | <b>97</b>    | <b>94</b> | <b>172</b>        | <b>222</b> | <b>345</b>   | <b>357</b>   | <b>259</b>   | <b>143</b>   | <b>1,088</b>  | <b>949</b>    |
| Off-balance sheet commitments              |               |               |              |           |                   |            |              |              |              |              |               |               |
| Loan commitments given                     | 2,204         | 2,204         | --           | --        | --                | --         | --           | --           | --           | --           | 2,204         | 2,204         |
| Financial guarantees and other commitments | 291           | 436           | --           | --        | --                | --         | --           | --           | --           | --           | 291           | 436           |
| <b>Total off-balance sheet commitments</b> | <b>2,495</b>  | <b>2,640</b>  | <b>--</b>    | <b>--</b> | <b>--</b>         | <b>--</b>  | <b>--</b>    | <b>--</b>    | <b>--</b>    | <b>--</b>    | <b>2,495</b>  | <b>2,640</b>  |

## 4.7 Credit ratings

### Credit ratings as at 31 December 2023

|         | Long-term rating | Short-term rating | Outlook |
|---------|------------------|-------------------|---------|
| S&P     | A                | A-1               | Stable  |
| Moody's | A2               | P-1               | Stable  |
| Fitch   | A-               | F1                | Stable  |

In 2023, S&P, Moody's and Fitch reaffirmed the credit ratings and outlook for senior preferred debt of de Volksbank. In May 2023, Moody's upgraded our junior senior unsecured debt rating, from Baa2 to Baa1.

#### Rating ambition

De Volksbank strives for solid long-term stand-alone ratings that are in line with its business profile, where possible supported by additional increases as a result of a strong balance sheet structure. A stable development of the mortgage portfolio and an adequate profitability are prerequisites for solid stand-alone ratings. Although rating agencies generally regard de Volksbank's focus on Dutch mortgages as a concentration risk, its strong capital position sufficiently compensates for this.

#### Developments in chronological order

On 3 May 2023, Moody's upgraded our junior senior unsecured debt rating, from Baa2 to Baa1. The upgrade reflects the increase in the volume of subordination to the junior senior unsecured debt following the issuance of Additional Tier 1 notes in 2022 and the increase in the volume of junior senior unsecured debt resulting from the issuances of Senior Non-Preferred notes. The rating on senior unsecured debt remained unchanged at A2.

On 12 July 2023, S&P published an updated credit opinion on de Volksbank in which it affirmed the credit ratings and outlook on the bank's ratings. According to S&P, the credit ratings of de Volksbank reflect the longstanding domestic franchise, the solid capital base and sizable loss-absorption capital buffers, combined with comfortable liquidity buffers.

In 2023, S&P published two bulletins, one in which they pointed out the instruction imposed on de Volksbank by DNB to improve its SIRA, and the other one commenting on the planned changes in the Executive Committee, with the replacements of the CEO and CRO. Neither event led to a change in our credit ratings, which were reaffirmed in the latest update on 14 December 2023.

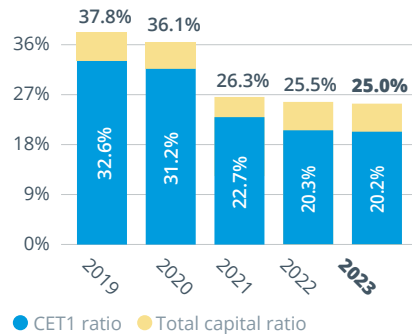
On 31 October 2023, Fitch published a rating action commentary in which they reaffirmed the credit ratings of de Volksbank. According to Fitch, the credit ratings reflect de Volksbank's straightforward but concentrated business model, which results in weaker earnings diversification than those of larger domestic peers. Rating strengths are the bank's sound asset quality and overall moderate risk profile, with a focus on low-risk residential mortgage lending. The ratings also capture improved earnings generation, satisfactory capitalisation and leverage, and robust funding underpinned by a granular and stable deposit base.

The S&P, Moody's and Fitch rating reports are available on de Volksbank's website.

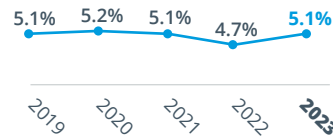
## 4.8 Capital management

Our capital position continued to be strong. The CET1 capital ratio remained virtually unchanged at 20.2% compared to 20.3% at year-end 2022, as an increase in core capital was offset by higher risk-weighted assets. The leverage ratio improved from 4.7% to 5.1% due to a higher capital level and a lower balance sheet total.

Total capital ratio



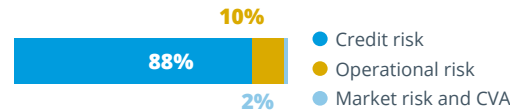
Leverage ratio



Common Equity Tier 1 ratio year-end 2023

**20.2%**

Risk-weighted assets



The primary objective of capital management is to ensure that the amount of de Volksbank's available capital is sufficient to support our corporate strategy. Our capital targets are determined on the basis of the bank's strategy, risk appetite and exposures, now and in the future. Considering our ambition of optimising shared value, we take into account the supervisory authorities' requirements, rating agencies' expectations and customers' and investors' interests, while delivering an adequate return for the shareholder. We also need to meet internal targets that are consistent with our aim of being a stable bank with a moderate risk profile.

### 4.8.1 Capital requirements

#### CRR/CRD requirements

With effect from 1 January 2024, de Volksbank is required to meet a minimum total Overall Capital Requirement (OCR) of 15.5%, of which at least 10.7% needs to be composed of Common Equity Tier 1 (CET1) capital. This obligation stems from the Supervisory Review and Evaluation Process (SREP) performed by the ECB in 2023.

The OCR includes the 8.0% Pillar 1 capital requirement and the 3.0% Pillar 2 capital requirement – together forming the Total SREP Capital Requirement (TSCR) – and

the Combined Buffer Requirement (CBR). These SREP requirements are equal to the requirements as at 31 December 2023.

#### CRR/CRD requirements as from 1 January 2024

|  | Total capital | of which Tier 1 capital | of which CET1 capital |
|--|---------------|-------------------------|-----------------------|
| Pillar 1 requirement                         | 8.00%         | 6.00%                   | 4.50%                 |
| Pillar 2 requirement                         | 3.00%         | 2.25%                   | 1.69%                 |
| <b>Total SREP Capital Requirement (TSCR)</b> | <b>11.00%</b> | <b>8.25%</b>            | <b>6.19%</b>          |
| Capital conservation buffer                  | 2.50%         | 2.50%                   | 2.50%                 |
| O-SII buffer                                 | 1.00%         | 1.00%                   | 1.00%                 |
| Countercyclical capital buffer               | 0.98%         | 0.98%                   | 0.98%                 |
| <b>Combined Buffer Requirement (CBR)</b>     | <b>4.48%</b>  | <b>4.48%</b>            | <b>4.48%</b>          |
| <b>Overall Capital Requirement (OCR)</b>     | <b>15.48%</b> | <b>12.73%</b>           | <b>10.67%</b>         |

The CBR, to be held in the form of CET1 capital, consists of a capital conservation buffer, a capital buffer for Other Systemically Important Institutions (O-SII buffer) and a countercyclical capital buffer. As at 1 January 2024, the capital conservation buffer equalled 2.50% and the O-SII buffer for de Volksbank equalled 1.0%. The countercyclical capital buffer for exposures to counterparties is currently 0.98%. This buffer is intended to protect banks against risks arising from excessive credit growth.

The Maximum Distributable Amount (MDA) trigger level amounts to 10.9% of CET1 capital per 31 December 2023, including a 0.3% Additional Tier 1 (AT1) shortfall. In case of a breach of the MDA trigger level, the maximum amount available for dividend payments and/or AT1 coupon distributions would be restricted in accordance with the Capital Requirements Directive (CRD).

#### Internal minimum level

De Volksbank set its target for the leverage ratio at a level of at least 4.5% and updated its CET1 ratio target to a level of at least 17.0% applicable under both current regulations and expected fully phased-in Basel IV rules. Our leverage ratio target of at least 4.5% is in line with the leverage ratio of comparable European banks and includes an ample management buffer to withstand severe stress situations.

We revised our CET1 ratio target to a level of at least 17%, relative to the previous target of at least 19%. The revision is explained by an adjusted management buffer, given reduced uncertainty regarding the impact of the Basel IV implementation in EU rules on the bank's capital planning. The new CET1 ratio target of at least 17% still

includes an ample management buffer - above the current 10.7% CET1 overall capital requirement - to withstand severe stress scenarios and to provide flexibility to absorb potentially higher capital requirements.

The 17.0% CET1 ratio target level already reflects the announced adjustments of de Volksbank's O-SII buffer and the countercyclical capital buffer rate for Dutch exposures that will apply from 31 May 2024.

Capital expected to sustainably exceed our minimum targets is available for distribution, subject to regulatory approval.

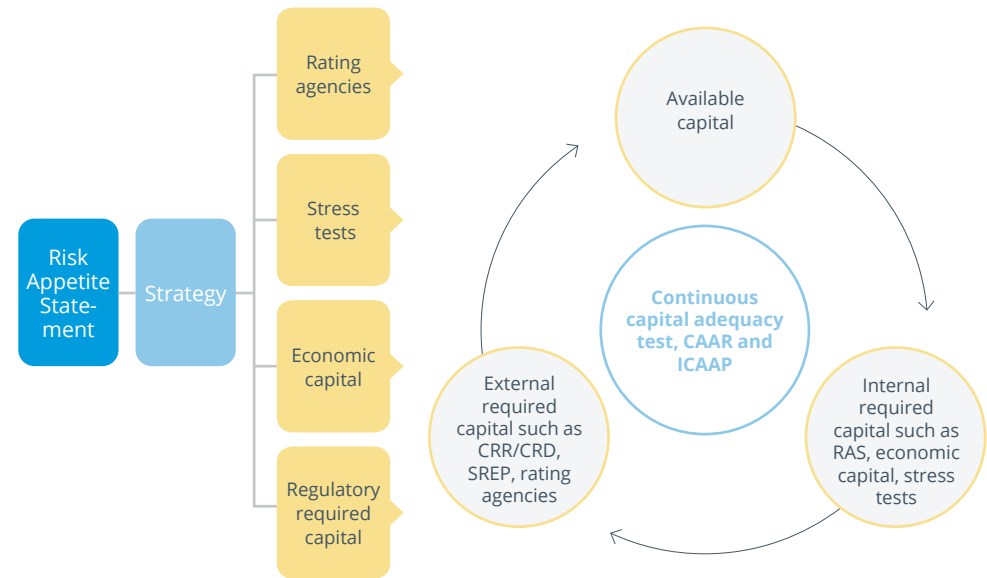
**4.8.2 Management and control** Audited

**Capital management strategy**

Our capital strategy incorporates the objective of having a solid capital position at our disposal to support de Volksbank's corporate strategy, combined with an adequate Return on Equity (RoE). As for the RoE, de Volksbank applies a (long-term) target of 8.0%. The basic principle for the capital amount is that the bank maintains buffers in addition to the minimum amount of capital required by the supervisory authority to guarantee sufficient capitalisation in the event of a severe yet plausible stress scenario.

De Volksbank manages its capital from several perspectives, as is shown in the following figure.

**Risk Appetite statement**



**Regulatory capital and MREL**

The minimum amount of capital required by law, i.e. regulatory capital, is based on risk-weighted capital ratios (CET1 capital, Tier 1 capital, total capital) and the required non-risk-weighted capital ratio, i.e. the leverage ratio. The minimum risk-weighted capital ratios are based on the SREP. In addition to these required capital ratios, de Volksbank calculates and reports the Minimum Requirements for Own Funds and Eligible Liabilities (MREL) on both a risk-weighted and non-risk-weighted basis, as required by law as from 1 January 2022.

**Economic capital**

De Volksbank also makes its own internal (economic) estimate of the amount of capital required. This differs from regulatory capital in two significant respects, namely:

1. Our calculations of economic capital include all risks from which material losses may ensue within a one-year horizon according to internal insights, which means that we consider more types of risk than in regulatory capital calculations.
2. Using our own insights, we translate our risk appetite into internal capital requirements, partly based on the desired credit rating.

We share the economic capital requirements with the supervisory authority. This is part of the Internal Capital Adequacy Assessment Process (ICAAP). We also use them to determine our internal capital targets and thresholds for specific types of risk, as applied in the Risk Appetite Statement (RAS).

### Stress testing

Every year, de Volksbank performs several stress tests to test the robustness of capital adequacy and examine other financial aspects, such as in the areas of liquidity and profitability. Stress tests may either be initiated internally or requested by supervisory authorities.

The scenarios to be calculated are drafted on the basis of a detailed risk identification, which considers both systemic risks, i.e. financial system-related risks, and idiosyncratic risks, i.e. de Volksbank-specific risks. In addition to scenario analyses, used to calculate the impact of, for example, a macroeconomic scenario on de Volksbank's capital position, we also perform sensitivity analyses and reverse stress tests. The latter starts from a pre-determined outcome, such as a situation in which the bank is unable to meet its minimum capital requirements, and then looks at events that could lead to such a situation.

For the scenarios for which the impact is calculated by means of a stress test, we estimate the development of unemployment, economic growth, the interest rate and other factors. In such a stress test, these macroeconomic variables adversely impact aspects such as the net interest margin, the creditworthiness of the outstanding loan portfolio and the fair value of the interest-bearing investment portfolio. This subsequently results in a deterioration of the bank's capital position. The stress test results are used not only to analyse the bank's sensitivity to various types of stress, but also as input for setting thresholds as part of the risk appetite and to determine the management buffers that we use to set the internal minimum levels of the capital ratios. Finally, they are used as input for de Volksbank's recovery plan.

### Rating agencies

The bank's creditworthiness is assessed by credit rating agencies S&P, Moody's and Fitch. To determine a credit rating, they look at aspects such as our capital position. To ensure that our capital ratios are in line with our credit rating ambition, we include the corresponding capital requirements in our capital planning.

### Capital adequacy lifecycle

The risk management lifecycle applies to capital management in the following way:

1. Identification of risks within the scope of capital adequacy: we continuously aim to identify that all potential, material and emerging risks are within the scope of capital adequacy. For example, we perform an independent risk review of all relevant capital adequacy-related proposals.

2. Assessment of the risk profile against the risk thresholds by comparing the risk exposure to the available capital from own funds and MREL eligible liabilities: as part of the ICAAP, we continuously assess the adequacy and effectiveness of the risk management framework as far as capital adequacy and its compliance with internal policies and the risk appetite framework are concerned. ICAAP provides input for the ECB's SREP. We present the outcome of the assessment in the annual ICAAP Capital Adequacy Statement (CAS) report. The assessment of (expected future) capital exposure and developments also comprises the:
- Annual recalibration of the capital management strategy.
  - Definition of actions in the capital and liquidity plan that we draw up at least once a year, giving substance to the anticipated capital needs ensuing from the Operational Plan (OP). As the OP has a multi-year horizon, we make forecasts of relevant risk indicators and compare these with the internal thresholds. We work out various scenarios, taking into account the anticipated effects of future regulations.
  - Update of forecasts in the monthly Capital Adequacy Assessment Report (CAAR). The CAAR includes a CAS based on the current risk profile versus the risk thresholds and a forward-looking assessment.
  - Regular stress tests to provide insight into the key vulnerabilities and to assess the resilience of the capital position to severe but plausible adverse (economic) conditions. The results are used to set the risk appetite thresholds.
3. Risk response to capital adequacy: every year, we determine the RAS for capital adequacy in conjunction with the bank's general risk appetite and strategic objectives. To monitor capital adequacy, we use specific risk indicators and determine the level above which we feel comfortable based on the risk appetite for capital adequacy.
4. Monitoring of capital adequacy: the Treasury Committee monitors early warning indicators defined in the RAS for capital adequacy on a regular basis. The Asset and Liability Committee (ALCO) monitors the annual and forecasted development of the RAS indicators in the CAAR on a monthly basis.
5. Residual risk: not all capital risks are identified or fully managed at all times, because of expected or unexpected balance sheet or regulatory developments. By following the capital adequacy lifecycle, we intend to identify these risks and formulate a risk response.
6. Reporting of capital adequacy indicators: we prepare regulatory and internal reports to measure, monitor and manage the bank's capital adequacy on an ongoing basis.

### Recovery plan and contingency planning

Contingency planning, i.e. the planning for unforeseen events, is part of the bank's recovery plan. Its key objective is to prepare de Volksbank for a crisis in a way that enables us to recover independently and safeguard the bank's continuity.

Contingency planning encompasses the drafting and implementation of an action plan that allows us to take prompt measures as soon as our capital position deteriorates as anticipated or unexpectedly, for example as a result of financial market conditions. In addition to capital aspects, we also monitor the situation with respect to potential liquidity problems, both of which are identified by frequently monitoring 'early warning' indicators. Changes in these indicators may be a first sign of stress.

In addition to early warning indicators, we have defined recovery indicators that may trigger activation of the recovery plan. Applying the recovery plan-based measures helps us reinforce the ratios and recover independently. These measures have a wide scope and relate not only to capital and liquidity, but also to operations and communications. The nature and severity of the deteriorating conditions will determine the appropriate measures, such as raising capital, lowering the risk-weighted assets and raising funding.

In addition to a description of the available measures and conditions to be met before any measures are implemented, the recovery plan also contains an analysis of the expected recovery. The analysis is supported by several (severe) stress scenarios in which the effectiveness of these measures has been assessed, the so-called recoverability assessment.

The recovery plan is updated and discussed with the ECB's Joint Supervisory Team (JST) every year. At the request of the ECB, the recovery plan for 2023 included four scenarios, which addressed system-wide macroeconomic and idiosyncratic stress. From this analysis the recoverability capacity of de Volksbank for capital and liquidity proved to be adequate.

### 4.8.3 Developments in capital requirements

#### Countercyclical capital buffer in the Netherlands

In Europe, the countercyclical capital buffer (CCyB) aims to ensure that banking sector capital requirements take account of the macro-financial environment, i.e. to increase banks' resilience as cyclical risks build up, and to release the buffer as soon as these risks materialise. On 29 March 2023, DNB confirmed the previously announced increase in the CCyB in the Netherlands from 0% to 1%, applicable with effect from 25 May 2023. On 31 May 2023, DNB subsequently announced that the current risk picture gives reason to further increase the CCyB to 2% as from 31 May 2024<sup>1</sup>.

#### O-SII buffer

On 31 May 2023, DNB announced a reduction of de Volksbank's O-SII buffer from 1.0% to 0.25% with effect from 31 May 2024. The O-SII buffers of other systemically important banks were also reduced as from the same date. Lower O-SII buffers better reflect that large banks pose less systemic risk to national economies compared to

2016, the year in which the O-SII buffers were implemented. This is explained by the reduced size of the Dutch banking sector relative to the economy, and by progress made on European regulations and integration, such as the development of the European Union's banking union, which allows problems in the banking sector to be addressed more effectively.

#### SREP

De Volksbank is currently required to meet a minimum total Overall Capital Requirement (OCR) of 15.5%, of which at least 10.7% is to be composed of CET1 capital, including the raised CCyB. This obligation stems from the Supervisory Review and Evaluation Process (SREP) performed by the ECB in 2023 and includes the raised CCyB as from 25 May 2023.

#### Basel IV

In late 2017, the Basel Committee on Banking Supervision (BCBS) presented the agreement on the completion of the Basel III capital framework, also known as Basel IV. On 8 December 2023, the Council of the European Union published the texts of the political agreement reached on CRR III and CRD VI, in which Basel IV will be legally implemented. De Volksbank closely monitors these developments, paying particular attention to new rules for residential mortgages.

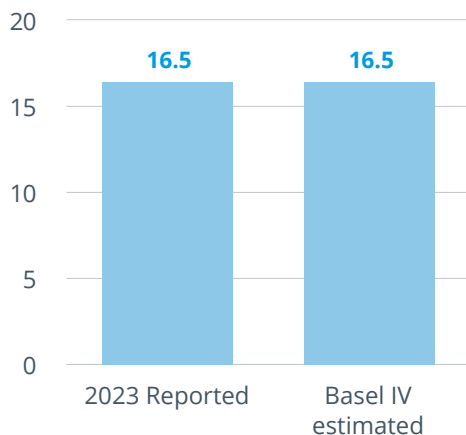
As at year-end 2023, we estimate that our total risk-weighted assets (RWA) according to the fully phased-in Basel IV standards would be below our total RWA under current regulations, mainly due to the removal of a 1.06 scaling factor to determine residential mortgage-related RWA under the revised IRB approach.

<sup>1</sup> Confirmed by DNB on 21 December 2023

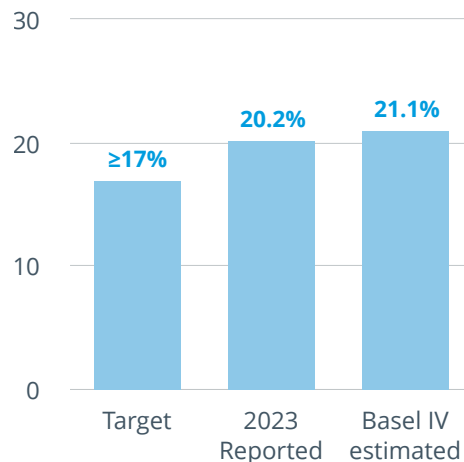


### Basel IV after 72.5% floor

RWA in € billions



### Basel IV on (fully phased-in) CET1 ratio



The Basel IV fully loaded CET1 ratio at year-end 2023 is estimated to equal 21.1% (2022: 20.2%), mainly driven by an increase in CET1 capital. This estimate of our CET1 ratio under full phase-in of Basel IV<sup>2</sup> comfortably exceeds our target of at least 17%.

### Minimum floor for risk weighting of mortgage loans

In anticipation of the implementation of Basel IV, DNB announced in October 2019 that it would increase the minimum risk weighting for mortgage portfolios of Dutch banks, with the exception of mortgages with (partial) National Mortgage Guarantee (NHG) coverage. This measure applies to banks that use internal risk models to calculate capital requirements for their mortgage portfolios, such as de Volksbank. In October 2021, DNB announced that the regulation would enter into force on 1 January 2022. The measure would initially expire on 1 December 2022. On 8 July 2022, DNB decided to extend the measure until 1 December 2024. However, as at year-end 2023, this measure had no impact on de Volksbank, given the bank's level of RWA for residential mortgages.

### Provision for non-performing exposures

With effect from 26 April 2019, the CRR was amended to introduce common minimum loss coverage levels, i.e. a statutory backstop, for newly originated loans that become non-performing. Non-performing exposures (NPEs) represent a risk to a bank's balance sheet as future losses may not be fully covered by appropriate reserves.

<sup>2</sup> Based on our balance sheet position as at 31 December 2023 and the political agreement reached on CRR III and CRD VI.

In addition to these CRR requirements, the ECB published its expectations for the level of provisions for NPEs originated before 26 April 2019 and classified as non-performing on or after 1 April 2018. It also made a recommendation in its SREP decision in relation to loans that were classified as non-performing before 1 April 2018.

De Volksbank will deduct any insufficient coverage for NPEs under the CRR statutory backstop from its CET1 capital. As at year-end 2023 this CET1 capital deduction was negligible. The prudential provisions for outstanding NPEs according to the ECB expectations and SREP recommendation resulted in a CET1 capital deduction of € 17 million at year-end 2023. The supervisory dialogue concerning ECB's expectations and the SREP recommendation may impact de Volksbank's CET1 capital ratio and leverage ratio in the next few years.

### Gone-concern capital: MREL

On 5 April 2023, the National Resolution Authority (NRA) set the MREL requirement for de Volksbank at 7.78% of the leverage ratio exposure (LRE) as from 1 January 2022. The MREL requirement based on RWA amounts to 20.41% and is set at 21.81% with effect from 1 January 2024. Both MREL requirements exclude the Combined Buffer Requirement. As from 1 January 2024, the LRE and RWA MREL requirements are to be fully met with subordinated instruments, i.e. Tier 1 capital, Tier 2 capital and senior non-preferred (SNP) notes with a residual contractual maturity of at least 1 year. As a binding intermediate subordination target, at least 6.55% of the LRE has to be met with subordinated instruments as from 1 January 2022. The MREL requirement based on the LRE to be met with subordinated instruments is expected to be updated to 8.05% as from 1 January 2024. 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 requirements as from January 2024, as well as on the binding intermediate MREL subordination target as from 1 January 2022.

In the first half of 2023, de Volksbank successfully executed two capital market funding transactions to strengthen its MREL position:

- € 0.5 billion in green SNP debt with a 7-year maturity;
- € 0.5 billion in green SNP debt with a 4½-year maturity.

Including these two SNP issuances on top of the € 1.5 billion SNP debt instruments already issued, de Volksbank meets the binding MREL subordination requirements as from January 2024.

## 4.8.4 Figures, ratios and trends

### Capital overview

#### Capital Overview Audited

| in € millions  | 2023          | 2022          |
|--|---------------|---------------|
| CRD common equity Tier 1 capital                     | 3,318         | 3,101         |
| Tier 1 capital                                       | 3,616         | 3,399         |
| Tier 2 capital                                       | 500           | 500           |
| Total capital  | 4,116         | 3,899         |
| <b>RWA:</b>  |               |               |
| Credit risk  | 14,522        | 12,890        |
| Market risk  | 193           | 236           |
| Operational risk                                     | 1,695         | 1,428         |
| Credit Valuation Adjustment (CVA)                    | 60            | 50            |
| Additional risk exposure amount due to Article 3 CRR | --            | 702           |
| <b>Total RWA</b>                                     | <b>16,470</b> | <b>15,306</b> |
| <b>Ratios:</b>                                       |               |               |
| Common equity Tier 1 ratio                           | 20.2%         | 20.3%         |
| Tier 1 capital ratio                                 | 22.0%         | 22.2%         |
| Total capital ratio                                  | 25.0%         | 25.5%         |

De Volksbank's CET1 ratio remained virtually unchanged at 20.2% (year-end 2022: 20.3%), well above our revised target of at least 17%.

#### Capital structure

In 2023, total equity rose by € 383 million to € 4,091 million. Available distributable items<sup>1</sup> amounted to € 3,478 million (2022: € 3,158 million). Although on the one hand total equity declined as a result of the 2022 dividend payment in the amount of € 90 million and interest charges on AT1 capital securities of € 21 million, on the other hand, it rose mainly as a result of the € 431 million net profit for 2023 and a € 63 million increase in the revaluation reserve.

#### Capitalisation Audited

| In € millions  | 2023         | 2022         |
|--|--------------|--------------|
| Capital instruments  | 381          | 381          |
| Share premium  | 3,537        | 3,537        |
| Net result for the period                                  | 431          | 191          |
| Accumulated other comprehensive income (OCI)               | -66          | -129         |
| Other reserves including retained earnings                 | -490         | -570         |
| AT1 capital securities                                     | 298          | 298          |
| <b>Total equity</b>  | <b>4,091</b> | <b>3,708</b> |
| Non-eligible interim profits                               | -332         | -153         |
| Additional Tier 1 capital                                  | -298         | -298         |
| <b>Total equity for CRD purposes</b>                       | <b>3,461</b> | <b>3,257</b> |
| Cashflow hedge reserve                                     | -15          | -17          |
| Other prudential adjustments                               | -5           | -5           |
| <b>Total prudential filters</b>                            | <b>-20</b>   | <b>-22</b>   |
| Intangible assets  | -5           | -6           |
| IRB shortfall <sup>1</sup>                                 | -101         | -57          |
| Additional deductions of CET1 capital due to Article 3 CRR | -17          | -71          |
| <b>Total capital deductions</b>                            | <b>-123</b>  | <b>-134</b>  |
| <b>Total regulatory adjustments to total equity</b>        | <b>-143</b>  | <b>-156</b>  |
| <b>CET 1 capital</b>                                       | <b>3,318</b> | <b>3,101</b> |
| Additional Tier 1 capital                                  | 298          | 298          |
| <b>Tier 1 capital</b>                                      | <b>3,616</b> | <b>3,399</b> |
| Eligible Tier 2  | 500          | 500          |
| IRB Excess <sup>1</sup>                                    | --           | --           |
| <b>Tier 2 capital</b>                                      | <b>500</b>   | <b>500</b>   |
| <b>Total capital</b>                                       | <b>4,116</b> | <b>3,899</b> |

<sup>1</sup> The IRB shortfall/excess is the difference between the expected loss under the CRR/CRD directives and the IFRS provision for the residential mortgage portfolio.

To determine total equity for CRD purposes, non-eligible interim profits are deducted from total equity. After profit appropriation by the General Meeting of Shareholders (GMS) in April 2023, € 63 million was added to CET1 capital from the non-eligible (interim) profits as at year-end 2022 of € 153 million, after the deduction of € 90 million for the dividend payment.

<sup>1</sup> Equalling the sum of share premium, retained earnings and other reserves.

Profit not yet eligible as equity for CRD purposes for 2023, namely € 332 million, is made up of part of the net profit for the first half of 2023 (€ 149 million) and the full net profit for the second half of 2023 (€ 183 million).

To calculate total equity for CRD purposes, the amount of AT1 capital securities of € 298 million is also deducted.

To determine CET1 capital, total equity for CRD purposes is subjected to several regulatory adjustments. At year-end 2023 these regulatory adjustments amounted to € 143 million negative (2022: € 156 million negative), consisting mainly of a deduction of € 101 million related to the IRB shortfall and a deduction of € 17 million due to the Article 3 CRR deduction following the ECB's guidelines on prudential provisions for non-performing exposures (NPEs).

The € 101 million IRB shortfall is the result of our Advanced Internal Ratings Based (AIRB) model calculations. To determine the credit risk in its residential mortgage portfolio, de Volksbank avails itself of an AIRB model entitled *Particuliere Hypotheken Interne Rating Model* (PHIRM), which model is continuously being redeveloped to comply with new rules and regulations.

Within CET1 capital, € 51 million of the Article 3 CRR deduction as at year-end 2022 was translated into additional AIRB model conservatism in the determination of the IRB shortfall as at year-end 2023. This part of the Article 3 CRR deduction as at year-end 2022 was related to the use of our new data warehouse, which still requires supervisory review before actual use in expected loss and AIRB RWA calculations.

Our CET1 capital rose by € 217 million to € 3,318 million.

### Tier 2 capital instruments Audited

|                          | Maturity date | First possible call date | Nominal amount |            |
|--------------------------|---------------|--------------------------|----------------|------------|
| in € millions            |               |                          | 2023           | 2022       |
| Bond loan (subordinated) | 22-10-2030    | 25-10-2025               | 500            | 500        |
| <b>Total</b>             |               |                          | <b>500</b>     | <b>500</b> |

### Risk-weighted assets (RWA)

Pillar 1 sets the minimum capital requirements based on the RWA for three types of risk: credit risk, market risk and operational risk.

In addition to using the AIRB model PHIRM to determine the credit risk in our residential mortgage portfolio, we use the Standardised Approach (SA) – rather than internal models – to calculate the credit risk of other portfolios (including non-residential mortgages and loans to governments, businesses and financial institutions), market risk and operational risk. For more information on credit risk, please refer to Section 4.4 Credit Risk, on market risk to Section 4.5 Market risk and on operational risk to Section 4.3 Non-financial risks.

### RWA development

| in € millions   | 2023          | 2022          |
|---|---------------|---------------|
| Opening amount  | 15,306        | 13,993        |
| <b>Credit risk standardised approach:</b>               |               |               |
| Development portfolio                                   | -12           | 1,181         |
| Movements in credit risk CVA                            | 10            | -25           |
| <b>Total movement Credit risk standardised approach</b> | <b>-2</b>     | <b>1,156</b>  |
| Model updates   | 176           | 2,263         |
| Development portfolio (including PD and LGD migrations) | 611           | -68           |
| Additional risk exposure due to fixed multiplier        | 72            | --            |
| Additional risk exposure due to interest-only mortgages | 83            | --            |
| Additional risk exposure amounts due to Article 3 CRR   | --            | -2,303        |
| <b>Total movement AIRB approach</b>                     | <b>942</b>    | <b>-108</b>   |
| Movement securitisation credit risk                     | --            | -7            |
| Market risk development                                 | -43           | 236           |
| Operational risk  | 267           | 36            |
| <b>Total movement</b>                                   | <b>1,164</b>  | <b>1,313</b>  |
| <b>Closing amount</b>                                   | <b>16,470</b> | <b>15,306</b> |

In 2023, total RWA increased by € 1.2 billion to € 16.5 billion. This increase was mainly due to a € 0.9 billion increase in RWA related to residential mortgages. Within RWA, the Article 3 CRR add-on as at year-end 2022 was translated into additional conservatism by applying a fixed multiplier on the calculated model-based AIRB RWA. The Article 3 CRR RWA add-on as at year-end 2022 was related to the use of our new data warehouse, which we also used in 2023 and still requires supervisory review before actual use in AIRB RWA calculations. AIRB RWA also increased due to the impact of a slight deterioration of our customers' average credit quality given the worsened macroeconomic conditions, mainly in the first half of 2023. Furthermore, we apply an add-on of € 83 million RWA with respect to our interest-only mortgages. These items

explain the increase in the average risk weighting of residential mortgages to 19.7%, from 18.2% at year-end 2022<sup>1</sup>.

RWA for credit risk calculated according to the SA remained virtually unchanged at € 4.4 billion. The € 122 million reduction in RWA for central governments and central banks is due to a newly applied fiscal treatment of the revaluation reserve in which no longer deferred tax assets are created. The € 336 million reduction in RWA for Financial institutions reflects a lower amount of outstanding short-term deposits with other banks compared to year-end 2022. RWA for SME loans went up by € 171 million, mainly due to no longer applying loan splitting<sup>2</sup> for a substantial part of the portfolio.

The RWA for operational risk increased by € 267 million to € 1.7 billion, mainly due to increased revenues in 2023. The RWA for market risk decreased by € 43 million. The RWA for the Credit Valuation Adjustment and securitisation notes went up slightly to a total of € 73 million.

The following table shows the RWA per type of risk, exposure category and method of calculation.

| Risk-weighted assets (RWA) and capital requirement <span style="float: right;">Audited</span> |               |               |               |               |                                 |              |
|---|---------------|---------------|---------------|---------------|---------------------------------|--------------|
| in € millions   | EAD           |               | RWA           |               | 8% Pillar 1 capital requirement |              |
|   | 2023          | 2022          | 2023          | 2022          | 2023                            | 2022         |
| <b>Credit risk AIRB approach</b>  |               |               |               |               |                                 |              |
| Residential mortgages <sup>1</sup>  | 51,056        | 50,215        | 10,079        | 8,435         | 806                             | 675          |
| <b>Total credit risk AIRB approach</b>  | <b>51,056</b> | <b>50,215</b> | <b>10,079</b> | <b>8,435</b>  | <b>806</b>                      | <b>675</b>   |
| <b>Credit risk standardised approach</b>  |               |               |               |               |                                 |              |
| Central governments and central banks   | 9,203         | 10,865        | --            | 122           | --                              | 10           |
| Regional governments and local authorities  | 866           | 798           | 73            | 65            | 6                               | 5            |
| Public sector entities  | 1,173         | 1,042         | 35            | 33            | 3                               | 3            |
| Multilateral development banks  | 457           | 494           | --            | --            | --                              | --           |
| International organisations   | 241           | 202           | --            | --            | --                              | --           |
| Financial institutions  | 4,631         | 6,496         | 1,292         | 1,629         | 103                             | 130          |
| Corporates  | 2,166         | 1,948         | 1,798         | 1,592         | 144                             | 127          |
| Retail excl. mortgages  | 107           | 149           | 70            | 93            | 6                               | 7            |
| Secured by mortgages on immovable property  | 1,172         | 965           | 694           | 517           | 56                              | 41           |
| Exposures in default  | 40            | 57            | 52            | 67            | 4                               | 5            |
| Covered bonds   | 812           | 556           | 81            | 56            | 6                               | 4            |
| Collective investments undertakings (CIU)   | 1             | 1             | 8             | 6             | 1                               | --           |
| Shares  | 13            | 11            | 13            | 11            | 1                               | 1            |
| Other Items   | 342           | 312           | 314           | 251           | 25                              | 20           |
| <b>Total credit risk standardised approach</b>  | <b>21,224</b> | <b>23,896</b> | <b>4,430</b>  | <b>4,442</b>  | <b>355</b>                      | <b>353</b>   |
| Securitisation positions  | 117           | 70            | 13            | 13            | 1                               | 1            |
| <b>Total credit risk</b>  | <b>72,397</b> | <b>74,181</b> | <b>14,522</b> | <b>12,890</b> | <b>1,162</b>                    | <b>1,029</b> |
| <b>Market risk standardised approach</b>  |               |               |               |               |                                 |              |
| - Specific risk   | 21            | 25            | 4             | --            | --                              | --           |
| - General risk  | --            | --            | 189           | 236           | 15                              | 19           |
| <b>Operational risk</b>   |               |               |               |               |                                 |              |
| - Standardised approach   | --            | --            | 1,695         | 1,428         | 136                             | 114          |
| <b>Total market- and operational risk</b>   | <b>21</b>     | <b>25</b>     | <b>1,888</b>  | <b>1,664</b>  | <b>151</b>                      | <b>133</b>   |
| Credit Valuation Adjustment (CVA)   | --            | --            | 60            | 50            | 5                               | 4            |
| Additional risk exposure amounts due to Article 3 CRR   | --            | --            | --            | 702           | --                              | 56           |
| <b>Total</b>  | <b>72,418</b> | <b>74,206</b> | <b>16,470</b> | <b>15,306</b> | <b>1,318</b>                    | <b>1,222</b> |

<sup>1</sup> To determine the RWA of residential mortgages a regulator-approved model is used.

<sup>1</sup> Including an Article 3 CRR add-on at year-end 2022.

### Exposure at Default

The Exposure at Default (EAD) from de Volksbank's total assets decreased from € 74.2 billion at year-end 2022, to € 72.4 billion at the end of 2023. The EAD of the residential mortgage portfolio increased from € 50.2 billion to € 51.1 billion.

The EAD for market risk decreased to € 21 million (2022: € 25 million) given the trading position in debt instruments as at year-end 2023.

### Breakdown of residential mortgages by rating grade

The table below shows the breakdown of our mortgage portfolio by Probability of Default (PD) class.

#### PD-Risk category residential mortgages 31 December 2023<sup>1</sup>

| Internal rating grade | PD scaling    | Average LGD | Obligor grade | EAD           | RWA           |
|-----------------------|---------------|-------------|---------------|---------------|---------------|
| 1                     | 0.00 to <0.15 | 22.51%      | 0.13%         | 17,505        | 1,296         |
| 2                     | 0.15 to <0.25 |             |               | --            | --            |
| 3                     | 0.25 to <0.35 | 24.65%      | 0.26%         | 26,073        | 3,612         |
| 4                     | 0.35 to <0.50 |             |               | --            | --            |
| 5                     | 0.50 to <0.75 | 39.72%      | 0.60%         | 2,814         | 1,147         |
| 6                     | 0.75 to <1.25 | 36.81%      | 1.13%         | 362           | 209           |
| 7                     | 1.25 to <1.50 |             |               | --            | --            |
| 8                     | 1.50 to <1.75 | 28.36%      | 1.51%         | 2,254         | 1,214         |
| 9                     | 1.75 to <3.50 | 26.27%      | 2.27%         | 104           | 67            |
| 10                    | 3.50 to <10.0 | 25.60%      | 7.29%         | 1,034         | 1,192         |
| 11                    | 10.0 to <15.0 | 26.46%      | 11.90%        | 163           | 243           |
| 12                    | 15.0 to <25.0 | 30.58%      | 16.83%        | 179           | 342           |
| 13                    | 25.0 to <100  | 29.00%      | 47.37%        | 83            | 132           |
| Default               | 100.00        | 18.27%      | 100.00%       | 485           | 625           |
| <b>Total</b>          |               |             |               | <b>51,056</b> | <b>10,079</b> |

<sup>1</sup> Based on the CRR AIRB model

#### PD-Risk category residential mortgages 31 December 2022<sup>1</sup>

| Internal rating grade | PD scaling    | Average LGD | Obligor grade | EAD           | RWA          |
|-----------------------|---------------|-------------|---------------|---------------|--------------|
| 1                     | 0.00 to <0.15 | 22.52%      | 0.12%         | 19,870        | 1,311        |
| 2                     | 0.15 to <0.25 | 0.00%       | 0.00%         | --            | --           |
| 3                     | 0.25 to <0.35 | 24.62%      | 0.25%         | 24,241        | 2,998        |
| 4                     | 0.35 to <0.50 | 0.00%       | 0.00%         | --            | --           |
| 5                     | 0.50 to <0.75 | 37.71%      | 0.58%         | 1,531         | 530          |
| 6                     | 0.75 to <1.25 | 34.22%      | 1.09%         | 272           | 131          |
| 7                     | 1.25 to <1.50 | 28.36%      | 1.46%         | 2,140         | 1,034        |
| 8                     | 1.50 to <1.75 | 0.00%       | 0.00%         | --            | --           |
| 9                     | 1.75 to <3.50 | 25.00%      | 2.20%         | 122           | 67           |
| 10                    | 3.50 to <10.0 | 24.17%      | 8.25%         | 1,119         | 1,132        |
| 11                    | 10.0 to <15.0 | 27.57%      | 12.72%        | 332           | 481          |
| 12                    | 15.0 to <25.0 | 28.27%      | 18.81%        | 45            | 75           |
| 13                    | 25.0 to <100  | 27.90%      | 42.43%        | 81            | 122          |
| <b>Default</b>        | <b>100.00</b> | 18.54%      | 100.00%       | 462           | 554          |
| <b>Total</b>          |               |             |               | <b>50,215</b> | <b>8,435</b> |

<sup>1</sup> Based on the CRR AIRB model

### Leverage ratio

The leverage ratio is the ratio between a bank's amount of Tier 1 capital and its total risk exposure. A minimum level for the leverage ratio is to prevent banks from building up excessive debts. As from June 2021, a leverage ratio requirement of 3% applies to de Volksbank.

To manage the risk of excessive leverage, leverage ratio control is part of our continuous capital planning process as explained in Section 4.8.2 [Management and control](#). Secured funding that affects the leverage ratio denominator is only attracted when this is consistent with our liquidity management and funding strategy. For more information, please refer to Section 4.6 [Liquidity risk management and funding strategy](#).

The table below presents the leverage ratio of de Volksbank according to the composition of CRR-prescribed risk exposure and equity.

The leverage ratio increased to 5.1%, from 4.7% at year-end 2022, due to the € 217 million increase in CET1 capital as well as a decrease in the leverage ratio exposure (LRE) by € 1.3 billion to € 70.4 billion.

<sup>2</sup> Depending on the exposure class, a lower risk weight is allowed when meeting specific requirements including adequate monitoring of collateral values.

The 5.1% leverage ratio is well above the regulatory requirement of 3.0% and above our target of at least 4.5%.

| Leverage ratio   |               |               |
|--|---------------|---------------|
| in € millions  | 2023          | 2022          |
| <b>Tier 1 capital</b>  | <b>3,616</b>  | <b>3,399</b>  |
| <b>Exposure values:</b>  |               |               |
| Derivatives: market value  | 160           | 79            |
| Derivatives: add-on mark-to-market method                                  | 620           | 513           |
| Off-balance: undrawn credit facilities                                     | 36            | 39            |
| Off-balance: medium/low risk   | 1,072         | 1,076         |
| Off-balance: other   | 289           | 395           |
| Other assets   | 68,515        | 69,854        |
| Receivables for cash variation margin provided in derivatives transactions | -174          | -85           |
| Exposures exempted in accordance with Article 429 (14) of the CRR          | 0             | --            |
| Regulatory adjustments (Tier 1)  | -143          | -155          |
| <b>Exposure measure as defined by the CRR</b>                              | <b>70,375</b> | <b>71,716</b> |
| Leverage ratio   | 5.1%          | 4.7%          |

## MREL

The table below presents the risk-weighted and non-risk-weighted MREL ratios of de Volksbank.

Total capital and eligible liabilities rose by € 0.5 billion to € 6.8 billion. This was mainly the result of the issuance of € 1.0 billion in green SNP debt and a € 217 million increase in CET1 capital. This was partly offset by € 751 million in senior unsecured debt becoming non-eligible.

At year-end 2023, the non-risk-weighted MREL ratio based on the LRE was 9.6% (2022: 8.8%), including total capital and all other MREL-eligible unsecured liabilities.

Including only total capital and eligible SNP liabilities, the non-risk-weighted MREL ratio based on the leverage ratio exposure equalled 9.4% (2022: 7.5%).

The risk-weighted MREL ratio, based on total capital and eligible SNP liabilities, € 6.6 billion in total, stood at 40.2% (2022: 35.3%).

## MREL

| in € millions  | 2023         | 2022         |
|--|--------------|--------------|
| CET1 capital   | 3,318        | 3,101        |
| Additional Tier 1 capital  | 298          | 298          |
| Tier 2 capital   | 500          | 500          |
| <b>Total capital</b>   | <b>4,116</b> | <b>3,899</b> |
| Senior non-preferred (SNP) liabilities with remaining maturity >1 year | 2,500        | 1,500        |
| Eligible senior preferred liabilities with remaining maturity > 1 year | 168          | 919          |
| <b>Total capital including other eligible liabilities</b>              | <b>6,784</b> | <b>6,318</b> |
| <b>MREL BRRD2 exposure measures:</b>                                   |              |              |
| Leverage ratio exposure measure (LRE)                                  | 70,375       | 71,716       |
| Risk-weighted assets   | 16,470       | 15,306       |
| <b>MREL LRE:</b>   |              |              |
| MREL (Total capital and eligible SNP liabilities) (LRE)                | 9.40%        | 7.5%         |
| MREL (Total capital including other eligible liabilities) (LRE)        | 9.60%        | 8.8%         |
| <b>MREL RWA:</b>   |              |              |
| MREL (Total capital and eligible SNP liabilities) (RWA)                | 40.20%       | 35.3%        |
| MREL (Total capital including other eligible liabilities) (RWA)        | 41.20%       | 41.3%        |

## 4.8.5 Dividend

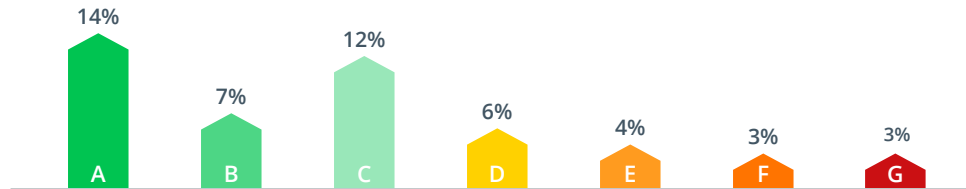
De Volksbank has set a target range of 40% - 60% of net profit for the regular dividend distribution. In line with this policy, de Volksbank decided in its General Meeting of Shareholders (GMS) in April 2023 to distribute a dividend of € 90 million for 2022, corresponding to a pay-out ratio of 50%.

For the financial year 2023, we propose a dividend amount of € 164 million, which corresponds to a pay-out ratio of 40% of the net profit attributable to the shareholder.

## 4.9 Sustainability risk

Our goal is to make a positive impact on society and the environment. But we also consider the possible financial and reputational impact that sustainability can have on the bank.

### Distribution of definitive energy efficiency rating of residential mortgage portfolio



\* 51% of our residential mortgage portfolio does not have a definitive energy efficiency rating.

Sustainability risk is one of de Volksbank's strategic risks and is included in the risk taxonomy as a stand-alone risk type. We define sustainability risk as the risk of (in)direct financial or reputational damage to the bank due to Environmental, Social and Governance (ESG) risk drivers, or to the risk of causing negative impacts on the environment or society through its activities or its counterparties.

Sustainability risk is one of the strategic risks of de Volksbank and is incorporated in the risk taxonomy as a stand-alone risk type with the aim of developing a holistic approach to the incorporation of ESG risk drivers into the bank's overall business strategy, governance, risk management framework, organisational structure and reporting practices.

As shown in the diagram, we divide sustainability risk into three sub-risk types and define them as follows.

### Environmental risk

Environmental risk is the risk of (in)direct financial or reputational damage to the bank due to acute or chronic physical environmental risk events (outside-in risk) or the role in the transition to an environmentally sustainable economy of the bank itself or of third parties (inside-out risk) with whom the bank may interact. Environmental risk encompasses both climate risk and other environmental risks, such as biodiversity loss and water scarcity, and includes both physical risk and transition risk:

- Physical risks may arise from more frequent and severe environmental events. These events can be acute, such as floods, or chronic, such as rising sea levels;

### Sustainability risk and sub-risk types



- Transition risks may arise from the process of adapting to a more environmentally sustainable economy, for example climate-related policy changes, technological changes or investor and consumer sentiment towards a greener environment. For example, when our emissions become relatively high, we might face higher transition risks as a result of climate-related policy changes.

The occurrence of physical and transition risks is often inversely related. As a response to the potential impact of physical risks, the government may rapidly introduce stringent and far-reaching policies, which may - in turn - lead to increased transition risks. Alternatively, physical risks may increase over time when government policies are lacking.

### Social risk

Social risk is the risk of (in)direct financial or reputational damage to the bank on account of violations related to human rights, employee rights, poverty and customer relationships, which are committed by the bank itself or by third parties with whom the bank has entered into a business relationship. The evolution of social standards, preferences and policies is difficult to foresee. Therefore, it is not straightforward to categorise the social risk drivers as physical and/or transition risks. Despite these uncertainties, de Volksbank's ESG risk assessment includes all relevant social risk drivers. These drivers may well be triggered by environmental risks; for example, environmental risks may lead to pandemic outbreaks, which could affect the social and mental welfare of our employees and customers.

### Governance risk

Governance risk is the risk of (in)direct financial or reputational damage to the bank as a consequence of inadequate corporate governance, ethical management and transparency by the bank itself or by third parties with whom the bank interacts. Governance risks may be driven by various risk drivers, such as the inadequate management of environmental and social issues or a lack of action to combat money laundering. These examples may have a negative impact on de Volksbank's reputation

and thus on its financial performance or solvency. Governance also plays an important role in ensuring our counterparties', i.e. customers and suppliers, environmental and social inclusion.

Sustainability risk management refers to the management of all the above-mentioned risk drivers that may affect the risk profile of de Volksbank, or the environment or society. In this respect, sustainability risk management concerns the control of outside-in risks and negative inside-out impacts in particular.

#### 4.9.1 Risk profile

De Volksbank's risk appetite statement supports its strategy to be the bank with the strongest customer relationship in the Netherlands and to have a substantial and measurable positive impact on society. As such, we aim to minimise (the financing of) activities that lead to negative impacts on society or the environment and limit (the

financing of) activities that may affect our financial results as a consequence of ESG events. Therefore, de Volksbank has a low appetite for sustainability risk.

Our business model and strategy are the main factors that determine our sustainability risk profile. Being a retail bank with a high concentration of residential mortgage loans in the Netherlands, our exposure to transition risk largely depends on the transition to a more sustainable housing sector. We actively encourage and facilitate our customers in reducing their energy costs making their home more sustainable, which will reduce our long-term exposure to transition risk. As far as physical risk is concerned, environmental and climate change will also have an impact on the housing sector in the Netherlands. The intensity and frequency of floods is bound to increase and houses will consequently be impacted by deteriorations in the foundations and the soil. To keep track of our risk profile, we closely monitor the likelihood and impact of these developments.

### Banking book<sup>1</sup> - Indicators of potential climate change transition risk

| In € millions  | Gross carrying amount |               | GHG financed emissions <sup>2</sup> |               |
|--|-----------------------|---------------|-------------------------------------|---------------|
|  | 2023                  | 2022          | 2023                                | 2022          |
| <b>Exposures towards sectors that highly contribute to climate change<sup>3</sup></b>                  | <b>1,485</b>          | <b>1,317</b>  | <b>74,147</b>                       | <b>90,214</b> |
| A - Agriculture, forestry and fishing  | 1                     | --            | 133                                 | 83            |
| B - Mining and quarrying   | --                    | --            | --                                  | --            |
| C - Manufacturing  | 130                   | 96            | 51,598                              | 29,099        |
| D - Electricity, gas, steam and air conditioning supply  | 837                   | 656           | 8,840                               | 7,761         |
| E - Water supply; sewerage, waste management and remediation activities                                | --                    | -             | --                                  | 0             |
| F - Construction   | 74                    | 88            | 1,209                               | 1,993         |
| G - Wholesale and retail trade; repair of motor vehicles and motorcycles                               | 97                    | 97            | 6,211                               | 10,459        |
| H - Transportation and storage   | 64                    | 61            | 1,190                               | 3,168         |
| I - Accommodation and food service activities  | 4                     | 4             | 47                                  | 49            |
| L - Real estate activities   | 278                   | 315           | 4,919                               | 37,603        |
| <b>Exposures towards sectors other than those that highly contribute to climate change<sup>3</sup></b> | <b>7,137</b>          | <b>8,958</b>  |                                     |               |
| K - Financial and insurance activities   | 6,775                 | 8,576         |                                     |               |
| Exposures to other sectors (NACE codes J, M - U)   | 362                   | 382           |                                     |               |
| <b>Total<sup>3</sup></b>   | <b>8,622</b>          | <b>10,275</b> | <b>74,147</b>                       | <b>90,214</b> |

<sup>1</sup> This includes loans and advances and debt securities to non-financial corporations.

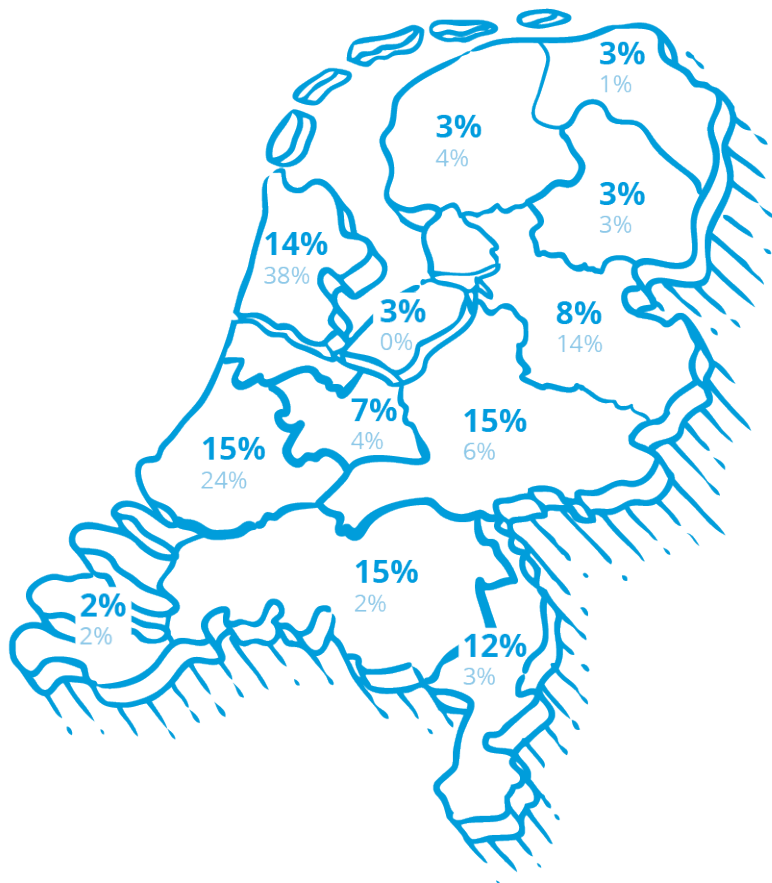
<sup>2</sup> Scope 1, scope 2 and scope 3 emissions of the counterparty (in tonnes of CO2 equivalent).

<sup>3</sup> In accordance with the Commission Delegated Regulation (EU) 2020/1818 supplementing Regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks - Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006.



The table above shows the loans and advances and debt securities to non-financial corporates by sector. De Volksbank has exposures in sectors that significantly

**Geographical distribution of mortgage portfolio and related climate risk**



% = Gross carrying amount of mortgage portfolio by province  
% = The share of mortgages that is sensitive to climate change events by province

contribute to climate change, mostly in the electricity, gas and steam sector. In these sectors we assess our exposure to transition risk to be low, as our project finance portfolio solely consists of renewable energy companies within that sector and does not include any customers in the (fossil) gas sector.

We consulted the data from the [Climate Impact Atlas](#) in order to assess which exposures within our mortgage portfolio are sensitive to climate change events. The categorisation for all maps is available on the level of the coordinates of the collateral. We mapped the coordinates of the underlying collateral in our data to the categorisation of the maps in the Climate Impact Atlas regardless of the (loan) portfolio.

We categorised all exposures in regions with a high or very high risk to pile rot and/ or soil subsidence according to the maps in the Climate Impact Atlas, with the scenario 2050 Low. In addition, we categorised all exposures in regions with a flood of 50 cm or higher and a probability of 1/300 and higher to the maps of the Climate Impact Atlas. All consulted maps have 2050 as a reference point.

**4.9.2 Management and control**

Clear roles and responsibilities are a precondition for an effective risk governance framework. In order to manage sustainability risk appropriately, de Volksbank implemented the three lines of defence model. The roles and responsibilities of the different lines of defence in the risk governance have been strengthened and clarified.

**Integration of ESG risks in the risk framework**

The integration of short, medium and long-term ESG risks within the risk management framework is based on the ECB guide on climate-related and environmental risks, the EBA report on management and supervision of ESG risks for credit institutions and investment firms and the TCFD recommendations. The identification, assessment and classification of all material risks related to the external and internal developments and the business strategy are done in the annual Strategic Risk Assessment and approved by the ExCo.

As sustainability risk is classified as a stand-alone risk type, a risk management policy and a Risk Appetite Statement (RAS) for this risk type are in place. Since sustainability risk is considered a risk driver for other risk types within the risk management framework of de Volksbank, the majority of the sustainability key risk indicators are included in the RAS of credit risk and compliance risk. The sustainability risk RAS includes one key risk indicator: the growth of the Sustainable Project Finance Portfolio of ASN Bank. Insufficient growth of this portfolio could hamper de Volksbank's long-term environmental targets to achieve a climate-neutral balance sheet, to have a (net) positive impact on biodiversity by 2030 and to have a net zero balance sheet by 2050.

Sustainability risk monitoring is integrated in the quarterly risk report, which informs the ExCo and Risk & Compliance Committee about the exposures to all risks.

the Scenario Expert Group challenges the macroeconomic scenarios as proposed by the macroeconomists.

The impact of ESG events on macroeconomic variables is considered in the periodic update of the macroeconomic scenarios. Based on the expertise of its members,

### 4.9.3 Areas of focus and activities

#### Overview of material<sup>1</sup> risks as identified in the ESG risk assessment<sup>2</sup>

|  | PHYSICAL RISK   |  | TRANSITION RISK <sup>3</sup>  |  |
|--|---|--|---|--|
| <b>ESG Risk driver</b>                 | Acute physical events, such as floods & storms  | Chronic physical changes, such as rising sea levels & long-term droughts   | Regulatory changes in ESG-related issues  | Changes in sentiment towards ESG-related issues  |
| <b>Impacted risk types<sup>4</sup></b> | Credit & business risk  | Credit risk  | Credit, business, compliance, reputational risk   | Compliance & reputational risk   |
| <b>Time horizon</b>                    | Short, medium & long term   | Long term  | Short, medium & long term   | Short, medium & long term  |
| <b>Transmission channels</b>           | Lower real estate value, lower profitability, lower household wealth  | Lower real estate value, lower profitability, lower household wealth   | Lower real estate value, lower profitability, lower household wealth, increased costs of compliance   | Increased costs of compliance, increased legal costs   |
| <b>Impact description</b>              | Acute physical events may have many disrupting effects: widespread damage to property of our customers may lead to a reduction in property value and high renovation costs, leading to increased credit and business risks. Additionally, our own buildings may experience damage, leading to increased damage costs. | The chronic impact of climate change, which includes rising sea levels and severe droughts, may cause certain regions of the Netherlands to become unattractive to live or even uninhabitable. This may impact the property value. | Policy changes stimulating the transition towards a sustainable economy may pose risks for de Volksbank. Our mortgage customers might be faced with financial distress due to high adaptation costs, that can consequently lead to increased credit and business risk. Furthermore, complex ESG regulations directly applicable to our own organisation may lead to increased business, compliance & reputational risk. | Increasingly higher ESG-related performance expectations may become a challenge for de Volksbank to transform in a timely manner. Not meeting these expectations, or not behaving according to (un)written rules, may affect our reputation and even lead to increased legal costs, which may - in turn - cause difficulties in attracting customers and investors. We may encounter financial or reputational damage if de Volksbank's employees, business partners and/or counterparties do not or insufficiently behave according to written and/or unwritten rules of corporate governance and ethical management. |

<sup>1</sup> These are the most material risk drivers in the risk type sustainability risk. However, based on the assessment and knowledge so far, the impact of these risks are relatively less material than the impact of other risks, for example interest rate risk.

<sup>2</sup> The table illustrates ESG risk drivers, impacted risk types, transmission channels and potential impacts on de Volksbank in the short, medium and long term.

<sup>3</sup> Physical risks relate only to environmental risks, whereas transition risks relate to environmental, social and governance risks.

<sup>4</sup> See the sections on other risk types for a description of the mitigating controls for ESG risks.

**ESG risk assessment**

To understand the impact of ESG developments in the short, medium and long term on de Volksbank, we implemented an annual ESG Risk Assessment process. The purpose of this process is to systematically identify, assess and mitigate sustainability risks covering relevant transmission channels, and to take advantage of sustainability opportunities within de Volksbank. This process also serves to improve our sustainability performance and ensure compliance with evolving sustainability regulations and standards.

The scope of the ESG Risk Assessment encompasses the following aspects in our own operations as well as in the upstream and downstream value chain: all de Volksbank's activities, including all underlying legal entities, brands, Hubs, Centers of Expertise, staff departments and portfolios. Since the availability of (historical) data for ESG-related risks is limited, the process mainly relies on expert judgement. The panels of experts comprise first and second line staff members, across all business units and business lines.

The list of material ESG risks is based on the physical risks of the European Climate Adaptation Platform Climate-ADAPT, enriched with expert opinions and other available information. Important considerations in assessing the risks are de Volksbank's business model, products and services and geographical coverage of the bank and its customers. The risk assessment covers both outside-in and inside-out risks.

We used a Likert scale for the assessment of the likelihood and the possible financial impact of the gross risk, i.e. the level of risk before applying mitigating risk controls.

| Potential size of the financial impact | Likelihood of the impact       |
|--|--------------------------------|
| 5 Extreme                              | 5 Certain (< 1 year)           |
| 4 High                                 | 4 Almost certain (1 - 3 years) |
| 3 Medium                               | 3 Likely (3 years)             |
| 2 Low                                  | 2 Possible (3 - 5 years)       |
| 1 Very low                             | 1 Unlikely (> 5 year)          |

Where available, we supported the assessment with data, in addition to the aforementioned qualitative scale. An example is the impact on our mortgage portfolio caused by flooding and drought.

As the development of ESG risk drivers depends on various uncertain factors that may materialise in different time frames, whereby climate-related issues often manifest themselves over the medium and longer terms, the effect of the risk drivers is assessed for the following time horizons:

- Short term ( $\leq 1$  year)

- Medium term ( $1 \leq 5$  years)
- Long term ( $>5$  years)

Within de Volksbank's risk taxonomy, we consider the ESG risks as drivers for other risk types. Therefore, the majority of the risks stemming from ESG drivers are addressed as one of the existing risk types as shown in the table entitled 'Overview of material risks as identified in the ESG risk assessment'.

In 2023, we continued to improve our ESG risks assessment process. We paid special attention to the quantification of the ESG risks with data, when available. We analysed our assets on the balance sheet, especially our portfolio of residential and commercial mortgages, and assessed the ESG risks related to those portfolios.

**Results**

The 2023 ESG risk assessment resulted in the following findings. We assessed the impact of sustainability risk as a material risk driver for the risk types credit risk, business risk, reputational risk and compliance risk based on quantitative information (if available), expert judgement, internal and external studies and upcoming regulation. These assessment results were then used to formulate specific actions to further assess the impact of the identified ESG risk drivers.

Explicit consideration of ESG factors as drivers for liquidity risk was included in liquidity stress testing, risk identification and RAS. Based on this analysis, it was concluded that related risks are already adequately captured through the existing liquidity stress testing framework and scenarios. In 2023, ESG events are considered in the Internal Liquidity Adequacy Assessment Process and de Volksbank enhanced the incorporation of sustainability risk into its Internal Capital Adequacy Assessment Process framework. We have quantification methods and risk appetite thresholds in place to ensure adequate capital allocation for sustainability risks.

In conclusion, we assessed that the sustainability risks did not have a material financial impact on the financial results of 2023, our strategy or our business operations. Therefore, we did not have any material costs to mitigate this impact. Our exposure to sustainability risk primarily follows from our focus on residential mortgages in the Netherlands. In the medium or long term sustainability risks may have a material financial impact on the financial results of de Volksbank.

**Efforts to improve data availability, quality and accuracy**

Risk models usually have a limited time horizon (1-5 years). However, sustainability risk mainly presents itself at much longer time horizons (10 years or more). De Volksbank is investigating possibilities to develop a calculation method for such long-term risks. In 2023, we continued with a project to inventory the data needed to meet the ESG reporting requirements. This project will eventually be expanded with

the necessary data to monitor and report on ESG risks drivers. As management of ESG risks is still evolving, we continue to analyse which internal and external data are needed and which data sources are already available and can be used in risk analyses.

### Mitigating risk controls

If risks stemming from ESG events are assessed as material, we will evaluate current risk control mechanisms and may formulate additional risk responses.

De Volksbank has strict sustainability criteria in place to make a positive contribution to society, reducing our exposure to inside-out ESG risk drivers. These sustainability criteria also function as an important mitigant to our exposure to outside-in ESG risk drivers. For example, de Volksbank has zero exposure in the fossil fuel sector, an industry particularly vulnerable to changing policies and market sentiments. Similarly, our social policies for our own investments and business operations prevent the likelihood of reputational risks related to social issues. We continuously assess if investments still meet our sustainability criteria. Infringement of these criteria will lead to the termination of specific loans or investments in our investment universe or portfolio. As insights on ESG-related issues and regulations are always evolving, our policies are reviewed and updated periodically.

An important transition risk in our mortgage portfolio is the risk that our customers are confronted with high energy costs and decreasing collateral value as energy-efficiency standards for homes are raised. De Volksbank mitigates this risk by actively facilitating our customers in their efforts to make their homes more sustainable through the promotion and awareness of and various financial products.

With regard to physical risks, we monitor our exposure to material physical risks at portfolio level. Several risks, such as risks related to the foundation of houses, are taken into account and acted upon in the customer acceptance process. De Volksbank is currently developing a more comprehensive risk response to physical risks in our mortgage portfolio.

In 2023, we enhanced the incorporation of sustainability risk into its Internal Capital Adequacy Assessment Process framework. We have quantification methods and risk appetite thresholds in place to ensure adequate capital allocation for sustainability risks.

### Stress testing and scenario analysis

In previously conducted climate-related stress tests, de Volksbank examined the Network for Greening the Financial system (NGFS) hot house world scenarios. We use the financial consequences of these scenarios for the bank in impact and scenario analyses. The impact analyses mainly relate to physical climate risks, such as flooding and extreme drought, for the mortgage portfolio. The scenario analyses mainly

focussed on the macroeconomic consequences of physical climate risks for the entire balance sheet of de Volksbank.

In addition, the 2023 mid-year stress test included two scenarios. The first scenario consisted of a severe macroeconomic recession as a result of the ECB interest rate policy. The second of a nitrogen crisis scenario, including a macroeconomic aggravation of the first scenario. The second scenario narrated that the negative impact of nitrogen pollution became increasingly evident, and that industries and agricultural sectors had to implement stringent regulation to address the issue. The high compliance costs resulted in a deceleration of economic growth as businesses struggle to adapt to the new regulatory landscape. De Volksbank applied a stress test model that considers factors including unemployment rate, GDP, house prices and housing transactions.

## 4.10 Management statement

### In-Control Statement

The Executive Board (ExBo) of de Volksbank N.V. is responsible for the set-up, presence and operation of the (risk) management and control system. This system is designed to manage risks, to support de Volksbank in achieving its strategic, operational and financial objectives, and to ensure that reporting on financial and non-financial performance indicators is reliable and that laws and regulations are complied with.

De Volksbank applies the Three Lines Model with a clear organisational structure and accompanying accountability structure, as laid down in governance and risk committees (see also Section [4.1 Risk management structure](#)).

De Volksbank's risk management is also further refined in the annual Operational Plan (OP) cycle, which translates strategic objectives and risk appetite into key risk indicators and operational objectives for the years ahead. The main risks associated with the OP implementation are identified. This cycle is carried out in all parts of the organisation. The business units report on their performance and risks. The effectiveness of the key control measures and controls is regularly examined and tested. De Volksbank has a structured process of completing internal In-Control Statements at department level, which are then weighted, tested and aggregated at board level for de Volksbank as a whole.

In 2023, the ExBo assessed the strategic, operational, financial, reporting and compliance risks, as included in Section [4.1.2 Top risks](#). In addition, the ExBo periodically had the effectiveness of the design and operation of the risk management and control system tested, as included in Section [4.1 Risk management structure](#). The ExBo managed a portfolio of projects that improved the effectiveness of the risk management and control system. The results were shared with the Audit Committee and the Supervisory Board, and discussed with the external auditor.

Based on the aforementioned, the ExBo declares that:

- The risk management and control system functioned properly in 2023;
- The risk management and control system provides a reasonable degree of certainty that the material risks to which de Volksbank is exposed are actually identified and that these risks are adequately monitored and controlled; and
- There are no known indications to assume that the internal risk management system will not continue to function properly in 2024.

It should be noted, however, that the above does not imply that the internal risk management system provides absolute assurance that it can prevent, or has prevented, all inaccuracies, errors, fraud and non-compliance with laws and regulations at all times.

### Relevant developments

Twice a year, de Volksbank executes a 'bottom-up' internal review of all identified exceptions to a proper functioning of the internal control system. These exceptions are ultimately reviewed by the ExBo for their overall impact and required actions. For 2023, this review did not result in any new topics and the recognised topics are clearly addressed in the organisation through action plans and monitoring of status and progress. The main topics are:

- Data management and models
- Laws and regulations, customer integrity
- Control Framework and risk culture
- Execution power of the organisation

These topics are further explained in the relevant sections of this report.

### Control over financial reporting

The management and control systems for financial reporting form an integral part of the risk management and control systems of de Volksbank. The most important principal bodies and elements to manage de Volksbank's financial reporting are the:

- Leadership team of Finance, which sets the framework for the policies and organisation of financial accounting systems and processes;
- Accounting Manual of de Volksbank, which describes the principles for financial reporting;
- Departments, which are responsible for the correct and complete administration of the products, execution of maintenance activities and recording of transaction data, resulting in accurate and truthful reports;
- System of financial key controls within the administrative and reporting departments, which monitors the proper functioning of the management and control system for financial reporting purposes;
- Assessments, which are partially based on the results of the key controls, periodic management reports and KPI dashboards with an analysis of financial and non-financial figures by the Leadership team of Finance;
- ExBo, which approves the findings of the reporting process and the financial reporting itself, both of which are subsequently discussed in the Audit Committee;
- Internal Audit department, which examines the system's operation;
- External auditor, who reports on the system of financial key controls insofar as this results from his activities for the audit of the financial statements. The key issues of this audit are included in the [Independent auditor's report](#). The findings are discussed with de Volksbank's financial and risk committees, the Audit Committee and the Supervisory Board.

We declare with a reasonable degree of certainty that the internal management and control systems for financial reporting functioned at an adequate level in 2023, and that de Volksbank's financial reporting does not contain any material inaccuracies.

## Declaration stating that the financial statements give a true and fair view

The members of the ExBo declare that:

- the consolidated and company financial statements 2023 of de Volksbank have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and give, to the best of our knowledge, a true and fair view of the assets, liabilities, the size and composition of the equity, the financial position as at 31 December 2023, the result and cash flows, and companies included in the consolidation;
- the Integrated Annual Report 2023, to the best of our knowledge, gives a true and fair view of the situation as at the balance sheet date and of the course of events during the financial year; and
- the Integrated Annual Report 2023 describes the main risks that de Volksbank is facing.

Utrecht, 7 March 2024

### Executive Board

Martijn Gribnau (Chair)  
Jeroen Dijst  
André Haag  
Marinka van der Meer



Financial statements

## Consolidated financial statements

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## Consolidated financial statements

### Consolidated statement of financial position

| Before result appropriation and in € millions | Notes | 31-12-2023    | 31-12-2022    |
|---|-------|---------------|---------------|
| <b>Assets</b>                                 |       |               |               |
| Cash and balances at central banks            | 2     | 5,891         | 8,011         |
| Derivatives                                   | 3     | 2,544         | 3,302         |
| Investments                                   | 5     | 6,733         | 5,591         |
| Loans and advances to banks                   | 6     | 4,671         | 6,884         |
| Loans and advances to customers               | 7     | 50,847        | 48,966        |
| Tangible and intangible assets                | 8,18  | 77            | 85            |
| Tax assets                                    | 9     | 14            | 80            |
| Other assets                                  | 10    | 283           | 249           |
| <b>Total assets</b>                           |       | <b>71,060</b> | <b>73,168</b> |
| <b>Liabilities</b>                            |       |               |               |
| Derivatives                                   | 3     | 1,121         | 924           |
| Amounts due to banks                          | 11    | 1,947         | 2,805         |
| Savings                                       | 12    | 43,623        | 44,501        |
| Other amounts due to customers                | 13    | 11,287        | 12,649        |
| Debt certificates                             | 14    | 7,935         | 7,544         |
| Subordinated debts                            | 15    | 500           | 500           |
| Provisions                                    | 16    | 44            | 66            |
| Tax liabilities                               | 9     | 82            | 19            |
| Other liabilities                             | 17,18 | 430           | 452           |
| <b>Total liabilities</b>                      |       | <b>66,969</b> | <b>69,460</b> |
| <b>Equity</b>                                 |       |               |               |
| Share capital                                 | 19    | 381           | 381           |
| Reserves                                      | 19    | 2,981         | 2,838         |
| Net result for the period                     | 19    | 431           | 191           |
| AT1 capital securities                        | 19    | 298           | 298           |
| <b>Total equity</b>                           |       | <b>4,091</b>  | <b>3,708</b>  |
| <b>Total equity and liabilities</b>           |       | <b>71,060</b> | <b>73,168</b> |

**Consolidated income statement**

| in € millions   | Notes | 2023         | 2022       |
|---|-------|--------------|------------|
| <b>Income</b>   |       |              |            |
| Interest income   | 25    | 2,037        | 1,128      |
| Interest expense  | 25    | 734          | 277        |
| <b>Net interest income</b>                                      |       | <b>1,303</b> | <b>851</b> |
| Fee and commission income                                       | 26    | 171          | 154        |
| Fee and commission expenses                                     | 26    | 107          | 103        |
| <b>Net fee and commission income</b>                            |       | <b>64</b>    | <b>51</b>  |
| Investment income   | 27    | -54          | -8         |
| Other result on financial instruments                           | 28    | 101          | 70         |
| Other operating income  | 29    | -            | 1          |
| <b>Total income</b>   |       | <b>1,414</b> | <b>965</b> |
| <b>Expenses</b>   |       |              |            |
| Staff costs   | 30    | 487          | 383        |
| Depreciation and amortisation of tangible and intangible assets | 8     | 23           | 22         |
| Other operating expenses  | 31    | 298          | 250        |
| <b>Total operating expenses</b>                                 |       | <b>808</b>   | <b>655</b> |
| Impairment charges of financial assets                          | 32    | 15           | 52         |
| <b>Total expenses</b>   |       | <b>823</b>   | <b>707</b> |
| <b>Result before taxation</b>                                   |       | <b>591</b>   | <b>258</b> |
| Taxation  | 33    | 160          | 67         |
| <b>Net result for the period</b>                                |       | <b>431</b>   | <b>191</b> |
| <b>Attributable to:</b>   |       |              |            |
| Owners of the parent company                                    |       | 431          | 191        |

**Consolidated statement of comprehensive income****Consolidated other comprehensive income**

| in € millions  | 2023      | 2022        |
|--|-----------|-------------|
| <b>Items that are reclassified to profit or loss</b>       |           |             |
| Change in cashflow hedge reserve                           | -2        | -2          |
| Change in fair value reserve                               | 65        | -157        |
| <b>Total items that are reclassified to profit or loss</b> | <b>63</b> | <b>-159</b> |
| <b>Other comprehensive income (after tax)</b>              | <b>63</b> | <b>-159</b> |

**Consolidated total comprehensive income**

| in € millions                                    | 2023       | 2022      |
|--|------------|-----------|
| Net result                                       | 431        | 191       |
| Other comprehensive income (after tax)           | 63         | -159      |
| <b>Total comprehensive income for the period</b> | <b>494</b> | <b>32</b> |
| <b>Attributable to:</b>                          |            |           |
| Owners of the parent company                     | 494        | 32        |

## Consolidated statement of changes in equity

### Consolidated statement of changes in equity 2023

| in € millions                                  | Notes | Issued share capital | Share premium reserve | Cashflow hedge reserve | Fair value reserve | Other reserves including retained earnings | Net result for the period | AT1 capital securities | Total equity |
|--|-------|----------------------|-----------------------|------------------------|--------------------|--|---------------------------|------------------------|--------------|
| <b>Balance as at 1 January 2023</b>            |       | 381                  | 3,537                 | 17                     | -146               | -570                                       | 191                       | 298                    | 3,708        |
| <b>Transfer of net result</b>                  |       |                      |                       |                        |                    | 101  | -101                      |                        | -            |
| Unrealised revaluations                        |       |                      |                       |                        | 24                 |  |                           |                        | 24           |
| Realised revaluations through P&L              |       |                      |                       | -2                     | 41                 |  |                           |                        | 39           |
| <b>Other comprehensive income</b>              |       |                      |                       | -2                     | 65                 |  |                           |                        | 63           |
| Net result                                     |       |                      |                       |                        |                    |  | 431                       |                        | 431          |
| <b>Total result 2023</b>                       |       |                      |                       | -2                     | 65                 |  | 431                       |                        | 494          |
| Paid interest on AT1 capital securities        | 19    |                      |                       |                        |                    | -21  |                           |                        | -21          |
| Dividend                                       | 19    |                      |                       |                        |                    |  | -90                       |                        | -90          |
| <b>Transactions with owners of the company</b> |       |                      |                       |                        |                    | -21  | -90                       |                        | -111         |
| <b>Total changes in equity</b>                 |       |                      |                       | -2                     | 65                 | 80   | 240                       |                        | 383          |
| <b>Balance as at 31 December 2023</b>          |       | 381                  | 3,537                 | 15                     | -81                | -490                                       | 431                       | 298                    | 4,091        |

### Consolidated statement of changes in equity 2022

| in € millions                                  | Notes | Issued share capital | Share premium reserve | Cashflow hedge reserve | Fair value reserve | Other reserves including retained earnings | Net result for the period | AT1 capital securities | Total equity |
|--|-------|----------------------|-----------------------|------------------------|--------------------|--|---------------------------|------------------------|--------------|
| <b>Balance as at 1 January 2022</b>            |       | 381                  | 3,537                 | 19                     | 11                 | -624                                       | 162                       |                        | 3,486        |
| <b>Transfer of net result</b>                  |       |                      |                       |                        |                    | 65   | -65                       |                        | -            |
| Unrealised revaluations                        |       |                      |                       |                        | -167               |  |                           |                        | -167         |
| Realised revaluations through P&L              |       |                      |                       | -2                     | 10                 |  |                           |                        | 8            |
| <b>Other comprehensive income</b>              |       |                      |                       | -2                     | -157               |  |                           |                        | -159         |
| Net result                                     |       |                      |                       |                        |                    |  | 191                       |                        | 191          |
| <b>Total result 2022</b>                       |       |                      |                       | -2                     | -157               |  | 191                       |                        | 32           |
| Increase in capital                            | 19    |                      |                       |                        |                    |  |                           | 298                    | 298          |
| Paid interest on AT1 capital securities        | 19    |                      |                       |                        |                    | -11  |                           |                        | -11          |
| Dividend                                       | 19    |                      |                       |                        |                    |  | -97                       |                        | -97          |
| <b>Transactions with owners of the company</b> |       |                      |                       |                        |                    | -11  | -97                       | 298                    | 190          |
| <b>Total changes in equity</b>                 |       |                      |                       | -2                     | -157               | 54   | 29                        | 298                    | 222          |
| <b>Balance as at 31 December 2022</b>          |       | 381                  | 3,537                 | 17                     | -146               | -570                                       | 191                       | 298                    | 3,708        |

**Consolidated cashflow statement**

| in € millions  | Notes <sup>1</sup> | 2023          | 2022          |
|--|--------------------|---------------|---------------|
| <b>Cashflow from operating activities</b>  |                    |               |               |
| Result before taxation   |                    | 591           | 258           |
| <b>Adjustments for</b>   |                    |               |               |
| Depreciation and amortisation of tangible, intangible assets and right-of-use assets | 8,18               | 23            | 21            |
| Changes in other provisions and deferred tax   | 9,16               | 29            | -89           |
| Impairment charges and reversals on financial assets                                 | 32                 | 15            | 52            |
| Unrealised results on investments through profit or loss                             | 27                 | 68            | -68           |
| Tax paid   |                    | -54           | -44           |
| <b>Changes in operating assets and liabilities</b>                                   |                    |               |               |
| Change in advances to customers  | 7                  | -1,881        | 1,761         |
| Change in liabilities to customers   | 13                 | -1,362        | 167           |
| Change in derivatives assets   | 3                  | 758           | -2,711        |
| Change in derivatives liabilities  | 3                  | 197           | -89           |
| Change in advances to banks  | 6                  | 2,213         | -2,357        |
| Change in liabilities to banks   | 11                 | -858          | 1,746         |
| Change in savings  | 12                 | -878          | -1,145        |
| Change in trading portfolio  | 5                  | 10            | -1            |
| Change in other operating activities   |                    | -355          | 480           |
| <b>Net cashflow from operating activities</b>  |                    | <b>-1,484</b> | <b>-2,019</b> |
| <b>Cashflow from investment activities</b>   |                    |               |               |
| Sale of property and equipment and intangible assets                                 | 8                  | -             | 3             |
| Sale and redemption of investments   | 5                  | 3,490         | 1,594         |
| Purchase of intangible assets  | 8                  | -             | -             |
| Purchase of property and equipment   | 8                  | -10           | -13           |
| Purchase of investments  | 5                  | -4,348        | -2,195        |
| <b>Net cashflow from investment activities</b>                                       |                    | <b>-868</b>   | <b>-611</b>   |
| <b>Cashflow from finance activities</b>  |                    |               |               |
| Proceeds from subordinated loans   | 15                 | -             | -             |
| Proceeds from debt certificates  | 14                 | 1,303         | 1,200         |
| Proceeds from AT1 capital securities   | 19                 | -             | 298           |
| Repayment of subordinated loans  | 15                 | -             | -             |
| Repayment of debt certificates   | 14                 | -944          | -1,039        |
| Payment of lease liabilities   | 18                 | -16           | -15           |

| in € millions   | Notes <sup>1</sup> | 2023          | 2022          |
|---|--------------------|---------------|---------------|
| Interest paid on AT1 capital securities   | 19                 | -21           | -11           |
| Dividends paid  | 19                 | -90           | -97           |
| <b>Net cashflow from financing activities</b>                                   |                    | <b>232</b>    | <b>336</b>    |
| <b>Net increase of cash and cash equivalents</b>                                |                    | <b>-2,120</b> | <b>-2,294</b> |
| Cash and cash equivalents at beginning of period                                | 2                  | 8,011         | 10,305        |
| Change in cash and cash equivalents   | 2                  | -2,120        | -2,294        |
| <b>Cash and cash equivalents at end of period</b>                               |                    | <b>5,891</b>  | <b>8,011</b>  |
| <b>Additional disclosure with regard to cashflows from operating activities</b> |                    |               |               |
| Interest received   |                    | 1,591         | 1,221         |
| Dividends received  |                    | -             | -             |
| Interest paid   |                    | 589           | 317           |

<sup>1</sup> The references next to the items relate to the notes to the consolidated financial statements.

## Notes to the consolidated financial statements

### Accounting principles for the consolidated financial statements

This section describes de Volksbank's material accounting policies and critical accounting estimates or judgements relating to the consolidated annual financial statements. If an accounting policy or a critical accounting estimate relates to a specific note, it is included in the disclosures of the relevant note.

To combine disclosures where possible and to reduce duplication, the IAS 1 capital management disclosures and IFRS 7 risk disclosures regarding financial instruments have been integrated in Section 4 [Risk management](#) for those marked with the label 'Audited'. These disclosures are an integral part of the consolidated annual financial statements and as such, support the compliance to these IFRS requirements.

### General information

De Volksbank N.V. (referred to as 'de Volksbank'), is a public limited liability company incorporated under the laws of the Netherlands. De Volksbank is a retail bank with sustainable business operations that provides services to private individuals, self-employed persons and small businesses in The Netherlands. In addition, de Volksbank finances activities related to the sustainable energy sector such as wind and solar energy production. De Volksbank's registered office is located at Croeselaan 1, 3521 BJ Utrecht, The Netherlands (CoC 16062338 of Utrecht). All shares in de Volksbank are held by *Stichting administratiekantoor beheer financiële instellingen (NLFI)*.

### Adoption of the financial statements

The consolidated financial statements of de Volksbank for the year ended 31 December 2023 were drawn up by the Executive Board and authorised for publication following approval by the Supervisory Board on 7 March 2024. The financial statements will be submitted for adoption to the General Meeting of Shareholders which will be held in April 2024. The General Meeting of Shareholders is permitted to amend the financial statements.

### Basis of preparation

#### Statement of IFRS compliance

De Volksbank prepares the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted within the European Union. Pursuant to the option offered under Book 2, Title 9 of the Dutch Civil Code, de Volksbank prepares its company financial statements in accordance with the same accounting principles as those used for the consolidated financial statements. The presentation and notes in the company financial statements are based on Title 9, Book 2 of the Dutch Civil Code.

De Volksbank's annual financial statements have been prepared on going-concern basis and there are no significant doubts about the ability of de Volksbank to continue as a going concern.

### Changes in published Standards and Interpretations effective in 2023

In 2023, the following standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) respectively, became mandatory, and were adopted by the European Union:

- Amendments to IFRS 17 Insurance Contracts; including Amendments to IFRS 17;
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information;
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies;
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates; and
- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules.

Except for the amendment of IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, none of the above-mentioned amendments have a material impact on the financial statements.

### Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2022, the European Commission adopted an amendment to IAS 12 Income taxes. Deferred taxes related to assets and liabilities arising from a single transaction, such as a lease, must be recognised. As of financial years starting on (or after) 1 January 2023. Thus, the amendment will result in the recognition of deferred tax assets and liabilities related to leases, thereby extending the balance sheet. The amendment must be applied retrospectively as of the beginning of the earliest comparative period presented. Accordingly, a deferred tax asset (DTA) and deferred tax liability (DTL) related to leases of around € 12 million are included in the balance sheet (2022: € 13 million).

### Interpretations of existing standards or amendments to standards, not yet effective in 2023

The following new standards, amendments to existing standards and interpretations, published prior to 1 January and effective for accounting periods beginning on or after 1 January 2024 were not early adopted by de Volksbank.

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability;

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments:
  - Disclosures: Supplier Finance Arrangements;
- Amendments to IAS 1 Presentation of Financial Statements:
  - Classification of Liabilities as Current or Non-current Date;
  - Classification of Liabilities as Current or Non-current - Deferral of Effective Date;
  - Non-current Liabilities with Covenants; and
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback.

These changes are not expected to have a material impact on the financial statements.

### Changes in accounting policies, estimates and presentation

#### Accounting policy change

In 2023 no changes in accounting policies were made.

#### Change in accounting estimates

##### Expected cash flows for prepayment penalties

De Volksbank has further refined the expected cash flows used in accounting for prepayment penalties in relation to interest averaging contracts. The timing of these cash flows cannot be fully derived from the contractual terms and conditions, because some of our mortgage customers will repay their mortgage before the end of the mortgage term due to moving home, etc. To take into account these behavioural aspects of customers, de Volksbank uses a prepayment model. The further refinement of the expected cash flows resulted in additional income amounting to € 9 million.

##### IFRS 9 management overlay for interest-only mortgages

In 2023, a management overlay of € 24 million was recognised related to the revised risk segmentation matrix for interest-only mortgages, which also resulted in a refinement of stage triggers used to determine the IFRS 9 expected credit losses. The refinements focus on the repayment risk at maturity for interest-only mortgages, which now is included at an earlier stage during the loan term. The increase in the provision for credit risk is identified as a change in estimate.

### Accounting principles for the consolidated financial statements

The accounting principles set out below have been applied consistently to all the periods presented in these consolidated financial statements. All subsidiaries applied the accounting principles consistently, for the purposes of these consolidated financial statements.

### Functional currency and reporting currency

The consolidated financial statements have been prepared in millions of euros (€). The euro is the functional and reporting currency of de Volksbank. All financial data presented in euros are rounded to the nearest million, unless stated otherwise. Counts are based on unrounded figures.

### Material accounting policies

#### The use of judgements, estimates and assumptions in the preparation of the financial statements

The preparation of the consolidated financial statements requires de Volksbank to make judgements, estimations and assumptions based on complex and subjective opinions and best estimates. These estimates have a significant impact on the reported amounts of assets and liabilities and the contingent assets and liabilities at the balance sheet date, and the reported income and expenses for the financial year. In this regard, management judges situations on the basis of available information and financial data which could potentially change going forward. Although the estimates are made to the best of the management's knowledge, actual results may differ from these estimates and the use of other propositions or data may lead to materially different results.

Judgements, estimations and assumptions are reviewed on a regular basis. The impact of changes in estimates on the accounting outcome is recognised in the period in which the estimate is revised or in the period of revision and future periods if the revision impacts both the reporting period and future periods.

Valuation of certain balance sheet items is highly dependent on the use of judgements, estimations and assumptions. Further disclosure is made on the use of judgements, estimations and assumptions in the specified accounting principles of these balance sheet items. The use of judgements, estimates and assumptions in determining the fair value of financial instruments, for both balance sheet valuations and disclosures, relates to the items below. For detailed information and disclosure of the accounting judgements, estimates and assumptions reference is made to the next sections and the notes to the financial statements items.

- Impairment losses on loans and receivables – refer to Section [4.4.4 Provisioning methodology](#);
- Valuation of fair value of financial instruments (including prepayment assumption mortgages and amortisation hedge accounting) – refer to Note [21 Specific disclosures of financial instruments](#);
- Employee commitments, restructuring provisions and other provisions– refer to Note [16 Provisions](#);
- Outcome of legal and/or arbitration proceedings - refer to Note [20 Contingent liabilities and commitments and Legal proceedings](#).

**Basis for consolidation**

Subsidiaries, i.e. all companies and other entities, including special purpose entities, which are controlled by de Volksbank, are consolidated in accordance with IFRS 10 Consolidated Financial Statements.

Subsidiaries are fully consolidated from the date on which control is transferred to de Volksbank. They are de-consolidated from the date control ceases. The financial statements of these subsidiaries, drafted for the purpose of de Volksbank's financial statements, are fully consolidated and aligned with the accounting principles applied by de Volksbank. Non-controlling interests are initially stated at their share in the fair value of the net assets on the acquisition date and subsequently adjusted for the non-controlling share in changes in the subsidiary's equity.

De Volksbank accounts for business combinations when control is obtained by the bank. All items of the consideration are measured and recognised at fair value at acquisition date. The excess of consideration over the share of the fair value of the identifiable net assets acquired is recorded as goodwill. Transaction costs in connection to the purchase of the business combination are expensed as incurred.

**Elimination of group transactions**

Intra-group transactions, intra-group balances and unrealised gains and losses arising from intra-group transactions are eliminated in the preparation of the consolidated financial statements.

Unrealised gains on transactions between de Volksbank and its associates are eliminated to the extent of de Volksbank's interest in these investments.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**Segmented information**

The operational plan and the main internal financial management reports of de Volksbank are discussed and decided upon by the Executive Committee of de Volksbank. Therefore, the 'Chief Operating Decision Maker' (CODM) as described in IFRS 8 Operating Segments is the Executive Committee of de Volksbank. When deciding on the deployment of resources and performance measurement, the CODM of de Volksbank does not distinguish between the different brands or products. Based on the analysis of the requirements of IFRS 8 the bank operates and reports a single segment.

**Foreign currencies**

Upon initial recognition, transactions in foreign currencies are converted into euros against the exchange rate at the transaction date. Monetary balance sheet items

denominated in foreign currencies are translated into euros at the exchange rate applicable on the reporting date. Exchange rate differences from these transactions and from converting monetary balance sheet items expressed in foreign currencies are recorded in the income statement under 'investment income' or 'result on financial instruments', depending on the balance sheet item to which they relate.

**Accounting based on transaction date and settlement date**

All purchases and sales of financial instruments, which have been settled in accordance with standard market practices, are recognised on the transaction date, more specifically, the date on which de Volksbank commits itself to buy or sell the asset or liability. We use settlement date accounting for 'loans and advances to customers' and 'amounts due to customers'.

**Classification of financial assets**

De Volksbank measures financial assets at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

**Business model assessment**

De Volksbank determines its business model based on the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed. The expected frequency, value and timing of sales are also important aspects of de Volksbank's assessment. If cash flows, after initial recognition, are realised in a way that is different from our original expectations, de Volksbank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

**The SPPI test**

As a second step in the financial assets classification process de Volksbank assesses the contractual terms of the financial asset to identify whether they, on specified dates, give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, de Volksbank applies judgement and considers relevant factors such as the period for which the interest rate has been set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending

arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at fair value through profit or loss.

De Volksbank issues loans containing features that change the contractual cash flows based on the borrower meeting certain contractually specified environmental criteria (ESG linked loans). Based on the analysis of these loans de Volksbank concluded that the ESG feature results in a de minimis exposure to risks or volatility in the contractual cash flows. Therefore, the ESG-linked loans meet the SPPI test and are measured at amortised cost using the effective interest method.

### **Derecognition**

A financial asset is derecognised when the rights to receive cashflows from the asset have expired. De Volksbank also derecognises the assets if it has both transferred the asset, and the transfer qualifies for derecognition. A transfer only qualifies for derecognition if de Volksbank has:

- Transferred substantially all the risks and rewards of the asset; or
- Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

### **Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount is reported on the balance sheet if there is a legally enforceable right to set off the recognised amounts, and there is an intention to settle the items on a net basis, or to settle the asset and the liability simultaneously. There is an enforceable right to set off, provided it is not dependent on a future event and is legally enforceable under normal circumstances as well as in bankruptcy. If these conditions are not met, amounts will not be offset.

### **Cashflow statement**

The cashflow statement is prepared according to the indirect method, and distinguishes between cashflows from operational, investment and financing activities. Cashflows in foreign currency are converted at the exchange rate applicable on the transaction date. With regard to cashflow from operations, operating results before taxation are adjusted for gains and losses that did not result in income and

payments in the same financial year and for movements in provisions and accrued and deferred items.

Investments in subsidiaries and associates are stated under cashflow from investing activities. The cash and cash equivalents available at the acquisition date are deducted from the purchase price.

In the context of the cashflow statement, cash and cash equivalents are equal to the balance sheet item cash and cash equivalents.



## Acquisitions and disposals

In 2023 and in 2022 there were no acquisitions or disposals of businesses.

### 1. Financial assets and liabilities

#### Overview of financial assets and liabilities by measurement base 2023

| in € millions                      | Amortised cost | Fair value through OCI | Fair value through P&L | Total         |
|------------------------------------|----------------|------------------------|------------------------|---------------|
| Cash and balances at central banks | 5,891          | --                     | --                     | 5,891         |
| Derivatives                        | --             | --                     | 2,544                  | 2,544         |
| Investments                        | 3,426          | 3,279                  | 28                     | 6,733         |
| Loans and advances to banks        | 4,671          | --                     | --                     | 4,671         |
| Loans and advances to customers    | 50,847         | --                     | --                     | 50,847        |
| Other assets                       | 283            | --                     | --                     | 283           |
| <b>Total financial assets</b>      | <b>65,118</b>  | <b>3,279</b>           | <b>2,572</b>           | <b>70,969</b> |
| Derivatives                        | --             | --                     | 1,121                  | 1,121         |
| Amounts due to banks               | 1,847          | --                     | 100                    | 1,947         |
| Savings                            | 43,623         | --                     | --                     | 43,623        |
| Other amounts due to customers     | 11,287         | --                     | --                     | 11,287        |
| Debt certificates                  | 7,935          | --                     | --                     | 7,935         |
| Subordinated debt                  | 500            | --                     | --                     | 500           |
| Other liabilities                  | 430            | --                     | --                     | 430           |
| <b>Total financial liabilities</b> | <b>65,622</b>  | <b>--</b>              | <b>1,221</b>           | <b>66,843</b> |

#### Overview of financial assets and liabilities by measurement base 2022

| in € millions                      | Amortised cost | Fair value through OCI | Fair value through P&L | Total         |
|------------------------------------|----------------|------------------------|------------------------|---------------|
| Cash and balances at central banks | 8,011          | --                     | --                     | 8,011         |
| Derivatives                        | --             | --                     | 3,302                  | 3,302         |
| Investments                        | 2,751          | 2,806                  | 34                     | 5,591         |
| Loans and advances to banks        | 6,884          | --                     | --                     | 6,884         |
| Loans and advances to customers    | 48,966         | --                     | --                     | 48,966        |
| Other assets                       | 249            | --                     | --                     | 249           |
| <b>Total financial assets</b>      | <b>66,861</b>  | <b>2,806</b>           | <b>3,336</b>           | <b>73,003</b> |
| Derivatives                        | --             | --                     | 924                    | 924           |
| Amounts due to banks               | 2,573          | --                     | 232                    | 2,805         |
| Savings                            | 44,501         | --                     | --                     | 44,501        |
| Other amounts due to customers     | 12,649         | --                     | --                     | 12,649        |
| Debt certificates                  | 7,544          | --                     | --                     | 7,544         |
| Subordinated debt                  | 500            | --                     | --                     | 500           |
| Other liabilities                  | 452            | --                     | --                     | 452           |
| <b>Total financial liabilities</b> | <b>68,219</b>  | <b>--</b>              | <b>1,156</b>           | <b>69,375</b> |

## 2. Cash and balances at central banks

### Accounting policy for cash and balances at central banks

Cash and balances at central banks includes cash, the overnight deposits with the Dutch Central Bank (*DNB*) and advances from the activities to credit institutions with an original remaining maturity of less than one month. These receivables are measured at amortised cost using the effective interest method.

This item does not include the restricted cash at DNB, which is included in note 6 Loans and advances to banks.

### Cash and balances at central banks

| in € millions                  | 2023         | 2022         |
|--------------------------------|--------------|--------------|
| Balances held at central banks | 5,824        | 7,907        |
| Short-term bank balances       | 39           | 80           |
| Cash                           | 28           | 24           |
| <b>Total</b>                   | <b>5,891</b> | <b>8,011</b> |

As at the end of 2023, € 5 million of the short-term bank balances was encumbered (2022: € 8 million).

## 3. Derivatives

### Accounting policy for Derivatives

Derivatives are recognised at fair value upon entering into the contract and are subsequently measured at fair value. The fair value of publicly traded derivatives is based on listed prices.

The fair value of non-publicly traded derivatives depends on the type of instrument and is based on a discounted cashflow model or an option valuation model. De Volksbank recognises derivatives with a positive market value as assets and derivatives with a negative market value as liabilities.

### Derivatives by type

| in € millions                               | 2023            |              | 2022            |               |              |            |
|---|-----------------|--------------|-----------------|---------------|--------------|------------|
|   | Nominal amounts | Fair value   | Nominal amounts | Fair value    |              |            |
|   | Positive        | Negative     | Positive        | Negative      |              |            |
| Macro fair value hedge - interest rate      | 35,597          | 2,038        | 592             | 29,054        | 2,879        | 553        |
| Micro fair value hedge - interest rate      | 211             | 10           | 1               | 286           | 13           | 2          |
| Micro fair value hedge - currency           | --              | --           | --              | --            | --           | --         |
| <b>Total micro fair value hedge</b>         | <b>211</b>      | <b>10</b>    | <b>1</b>        | <b>286</b>    | <b>13</b>    | <b>2</b>   |
| <b>Total fair value hedge</b>               | <b>35,808</b>   | <b>2,048</b> | <b>593</b>      | <b>29,340</b> | <b>2,892</b> | <b>555</b> |
| <b>Cash flow hedge - currency contracts</b> | <b>18</b>       | <b>--</b>    | <b>--</b>       | <b>41</b>     | <b>--</b>    | <b>3</b>   |
| Economic hedge - interest rate              | 805             | 18           | 7               | 2,215         | 34           | 17         |
| Economic hedge - currency                   | 4,909           | 33           | 85              | 10,916        | 21           | 31         |
| <b>Total economic hedge</b>                 | <b>5,714</b>    | <b>51</b>    | <b>92</b>       | <b>13,131</b> | <b>55</b>    | <b>48</b>  |
| Trading- interest rate                      | 10,717          | 49           | 44              | 10,898        | 97           | 67         |
| Trading- currency                           | 26,155          | 396          | 392             | 18,913        | 258          | 251        |
| <b>Total trading</b>                        | <b>36,872</b>   | <b>445</b>   | <b>436</b>      | <b>29,811</b> | <b>355</b>   | <b>318</b> |
| <b>Total</b>                                | <b>78,412</b>   | <b>2,544</b> | <b>1,121</b>    | <b>72,323</b> | <b>3,302</b> | <b>924</b> |

Most derivatives are held to hedge against undesired markets risks. This is explained in Note 4 Hedging and hedge accounting.

Economic hedges relate to the hedges that are held for balance sheet management, for which no hedge accounting is applied.

The nominal amounts show the units of account that relate to the derivatives, indicating the relationship with the underlying values of the primary financial instruments. These nominal amounts provide no indication of the size of the cashflows, and the market and credit risks related to the transactions.

### IBOR reform

As a result of the global transition of existing and widely used interest rate benchmarks (also known as Interbank Offered Rates, IBORs), most reference rates for variable-rate financial instruments (for example IBORs such as EURIBOR, LIBOR and EONIA) have been reformed or replaced by alternative reference rates (for example €STR, SONIA and SOFR).

- EONIA ceased to be published as from 3 January 2022, and converted into the euro short-term rate (€STR);
- EURIBOR (and its calculation method) was reformed in 2019 and is not scheduled to be discontinued soon;
- GBP Libor ceased to be published after 31 December 2021 and transitioned to the Sterling Overnight Index Average (SONIA);
- USD Libor continued to be published until 30 June 2023. In 2023, the bank's remaining USD Libor-based exposures were remediated and replaced by the Secured Overnight Financing Rate (SOFR).

As at 31 December 2023, the bank is no longer exposed to any Libor-based exposures.

## 4. Hedging and hedge accounting

### Accounting policy for Hedging and Hedge Accounting

De Volksbank uses derivatives as part of its asset and liability management and risk management. Derivatives are used to hedge interest rate and foreign currency risks in assets and liabilities. The accounting treatment of the hedged item and the hedging instrument depends on whether the hedge relationship qualifies for hedge accounting in accordance with the EU carve out version of IAS 39 Financial Instruments: Recognition and Measurement.

Under IFRS, derivatives are measured at fair value in the balance sheet and any change in the fair value is accounted for in the income statement. In the event that changes in fair value of hedged risks are not recognised through the income statement, an accounting mismatch occurs, causing volatility in the results. In these cases, hedge accounting is applied (when possible) to mitigate as much as possible the accounting mismatch and volatility. The IFRS 9 standard provides users with the option of starting to apply the IFRS 9 hedge accounting rules or to continue to apply the (EU carve out version of) IAS 39 hedge accounting rules. De Volksbank has decided to continue to apply the EU carve out version of IAS 39 hedge accounting requirements. De Volksbank designates certain derivatives as a hedge of either:

- The risk of changes in the fair value of a recognised asset or liability or firm commitment (fair value hedge); or

- The variability of future cashflows that can be attributed to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cashflow hedge).

Both at the inception of the hedge accounting and on an ongoing basis, de Volksbank assesses whether the derivatives used in its hedging transactions have been highly effective in offsetting changes in the fair value or variability of the cashflows of the hedged item, insofar as they are attributable to the hedged risk, and the actual results remain within a range of 80% to 125% of the expected outcome. Hedge ineffectiveness and gains and losses on components of a derivative that are excluded from the assessment of hedge effectiveness are recorded directly in the income statement in the line item Other result on financial instruments. Hedge ratios follow from the choices made for hedging of interest and currency risks. Ineffectiveness in hedge relationships might be caused by differences in maturities of the swap and the hedged item; and by the fair value of the floating leg of the interest rate swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate.

De Volksbank discontinues hedge accounting when the hedge relationship ceased to be effective or when the derivative or hedged item is sold or otherwise terminated.

The changes in fair value for derivatives that hedge economic risks and do not comply with the conditions of the EU carve out version of IAS 39 for hedge accounting or for which it is not cost-efficient to apply hedge accounting, are recognised directly in the income statement.

### Fair value hedge accounting

Derivatives that are designated as hedging the fair value of recognised assets or liabilities are recognised as a fair value hedge. Gains or losses on remeasurement of both the hedging instrument and the hedged item are recognised in the Income statement within Other result on financial instruments.

The same goes for the corresponding adjustment of the fair value of the hedged asset or hedged liability attributable to the specific hedged risk. Hedge effectiveness for fair value hedges is measured as the amount by which the changes in fair value of the derivatives compensates the changes in the fair value of the hedged item.

When a fair value hedge of interest rate risk is terminated, any value adjustment to the carrying amount of the hedged item is amortised to the income statement. The approach determines the amortisation period on the underlying remaining interest rate maturity of the hedged item. As a result, value adjustments for individual contracts are amortised over the respective maturity bucket. The moment the hedged position is no longer recognised, i.e. is sold or redeemed, the non-amortised part of the fair value adjustment of the hedged asset is recognised directly in the profit or loss.

De Volksbank applies fair value hedge accounting for portfolio hedges of interest rate risk as allowed under the EU carve out version of IAS 39. The EU carve out enables a group of derivatives (or proportions thereof) to be viewed in combination and jointly designated as the hedging instrument in the bank's macro fair value hedging models and removes some of the limitations in macro fair value hedge accounting with respect to under hedging strategies. In addition, some restrictions on under-hedging strategies for fair value macro hedge accounting do not apply. De Volksbank applies micro fair value hedging to hedge separate hedged positions, which may be assets or liabilities.

#### Cashflow hedge accounting

Derivatives can be designated to hedge the risk of variability of future cashflows of a recognised asset or liability or highly probable forecast transaction. Hedge ineffectiveness for cashflow hedges is measured as the amount by which the changes in the fair value of the derivative are in excess of changes in the fair value of the expected cashflow in the cashflow hedge. The effective part of any gain or loss on remeasurement of the hedging instrument is recognised directly in the cashflow hedge reserve as a separate component of total equity. Any ineffective part of the cashflow hedge is recognised in Other result on financial instruments immediately. The valuation of the hedged item included in the cashflow hedge relationship, remains unchanged.

If the forecast transaction leads to the recognition of an asset or a liability, the accumulated gains and losses that were previously taken to the cashflow hedge reserve are transferred to the income statement and classified as income or expense in the period during which the hedged transaction influences the result.

If the hedging instrument itself expires or is sold or terminated, or no longer meets the conditions for hedge accounting, the accumulated result that was included in the cashflow hedge reserve fully remains in the cashflow hedge reserve in other comprehensive income (OCI) until the expected transaction occurs.

If the hedged transaction is no longer expected to occur, the accumulated result reported in OCI is directly recycled to the income statement.

## Hedging

De Volksbank uses derivatives for the following objectives:

- To manage interest rate risk in the banking book and trading book;
- To hedge foreign exchange risks by converting non-euro funding and investments into euro;
- To use as economic hedging instrument for the prepayment risk on mortgage loans.

For a total overview of the derivatives, see Note [3 Derivatives](#).

### Hedge accounting

In most of the hedging strategies explained above, de Volksbank applies hedge accounting. In addition to the main distinction between fair value hedges and cashflow hedges, there is also a distinction between micro hedges and macro hedges in hedge accounting. Micro hedging is a technique used to hedge individual contracts. Macro hedging is a technique used to hedge the risk on a portfolio of contracts. The types of hedge accounting applied by De Volksbank are explained below.

### Fair value hedges

#### Hedging the interest rate risk in the banking book (macro hedge)

The portfolio hedged comprises fixed-rate mortgages of de Volksbank. The hedging instruments are interest rate swaps entered into as part of the interest rate risk management in the ALM process. The risk hedged is the risk of change in fair value of the portfolio attributable to movements in market interest rates. The hedge is set up and terminated at least once a month. Effectiveness assessments are performed on a prospective and retrospective basis and are measured using the dollar offset method.

#### Hedging the interest rate risk on investments (macro hedge)

The interest rate risk on fixed-income investments is hedged by swapping the coupon to a floating interest rate with interest swaps. The country or credit spread risk component is not hedged. The hedges provide protection for the risk of change in fair value of the portfolio attributable to movements in market interest rates of the relevant fixed-income investments. The hedge is set up and terminated at least once a month. Effectiveness assessments are performed on a prospective and a retrospective basis and are measured using the dollar offset method.

#### Hedging the interest rate risk on funding (micro hedge)

De Volksbank conducts micro hedging to convert fixed-rate funding into floating interest rates by means of interest rate swaps. If such funding is denominated in a foreign currency, cross-currency swaps are entered into. The hedge is set up once and will not be terminated. Effectiveness assessments are performed on a prospective and retrospective basis and are measured using the dollar offset method. In addition to converting foreign currencies into euros and fixed-rate funding into

floating-rate funding, de Volksbank also uses derivatives to convert structured funding into floating-rate funding. In structured funding, the funding charge is related to, for example, developments in an equity index or inflation. The funding programme also includes interest rate structures such as floating-rate coupons with a multiplier or a leverage factor. De Volksbank fully hedges the structured element and the interest rate risk on these structures.

### Cashflow hedges

#### Hedging floating interest rate cashflows

To reduce the variable interest rate cashflow risk arising from some specific investments or loans, de Volksbank applies micro cashflow hedge accounting by means of interest rate swaps and, if such investment or loan is denominated in a foreign currency, cross-currency interest rate swaps. By using these cross-currency interest rate swaps not only the variability in cashflows, but also the foreign exchange risk arising from the investments or loans is fully hedged, on the whole resulting in euro investments or loans. To apply micro hedge accounting, the hedged item (investment or loan) and the hedging instrument (derivative) are linked together in specific hedge relationships. Prospective effectiveness testing consists of matching the critical terms at inception of the hedge, retrospective effectiveness testing consists of a monthly comparison of the change in the fair value of the hedged cashflows and the fair value of the hedging instrument.

The accrued value of the derivatives is included in total equity over the remaining term of the hedge. The value accrued in total equity was less than € 1 million as at 31 December 2023 (2022: also less than € 1 million).

In the years prior to 2019, de Volksbank also applied macro cashflow hedge accounting to hedge the risk of floating interest rate cashflows on the cash position, floating interest rate mortgages, quotations and floating-rate funding by entering into interest rate swaps and basis swaps. These hedges no longer exist. The value of these former hedges accrued in total equity was € 20 million positive (gross) as at 31 December 2023 (2022: € 23 million positive (gross)).

### Hedged items in fair value hedges

| in € millions                           | Carrying amount of the hedged item |        | Accumulated amount of fair value hedge adjustments on the hedged item |                     |
|---|------------------------------------|--------|---|---------------------|
|   | 2023                               | 2022   | 2023  | 2022                |
| <b>ASSETS</b>                           |                                    |        |   |                     |
| <b>Macro fair value hedges</b>          |                                    |        |   |                     |
| Loans and advances - interest rate risk | 13,445                             | 12,318 | -1,306 <sup>1</sup>   | -1,996 <sup>2</sup> |
| Investments FVOCI - interest rate risk  | 2,231                              | 1,690  | -63   | -188                |
| Investments AC - interest rate risk     | 1,911                              | 2,169  | -92   | -169                |
| <b>LIABILITIES</b>                      |                                    |        |   |                     |
| <b>Micro fair value hedges</b>          |                                    |        |   |                     |
| Issued debt - interest rate risk        | 214                                | 290    | 7   | 8                   |

1 The macro hedge adjustment of € 1,306 million negative consists of € 1,198 million negative active hedges and € 108 million negative for discontinued hedges which are amortised.

2 The macro hedge adjustment of € 1,996 million negative consists of € 1,998 million negative active hedges and € 2 million positive for discontinued hedges which are amortised.

### Effectiveness fair value hedges

| in € millions   | 2023      | 2022      |
|---|-----------|-----------|
| Fair value movements hedging instruments                      | -866      | 3,221     |
| Fair value movements hedged item attributable to hedged risks | 882       | -3,209    |
| <b>Ineffectiveness macro fair value hedges</b>                | <b>16</b> | <b>12</b> |
| Fair value movements hedging instruments                      | 3         | -47       |
| Fair value movements hedged item attributable to hedged risks | -2        | 44        |
| <b>Ineffectiveness micro fair value hedges</b>                | <b>1</b>  | <b>-3</b> |

The ineffectiveness of fair value hedges is recognised in the income statement within Other result on financial instruments. The ineffectiveness of cash flow hedges was less than € 1 million at year-end 2023 and 2022.

**Nominal amount hedging instruments in micro fair value hedges 2023**

| in € millions                          | Maturity   |                       |              | Total      | Fair value |          |
|--|------------|-----------------------|--------------|------------|------------|----------|
|  | ≤1<br>year | > 1 year<br>- 5 years | > 5<br>years |            | Positive   | Negative |
| Issued debt                            | 50         | 69                    | 92           | 211        | 10         | 1        |
| <b>Interest rate risk micro hedges</b> | <b>50</b>  | <b>69</b>             | <b>92</b>    | <b>211</b> | <b>10</b>  | <b>1</b> |
| <b>Total micro hedge instruments</b>   | <b>50</b>  | <b>69</b>             | <b>92</b>    | <b>211</b> | <b>10</b>  | <b>1</b> |

**Nominal amount hedging instruments in micro fair value hedges 2022**

| in € millions                          | Maturity   |                       |              | Total      | Fair value |          |
|--|------------|-----------------------|--------------|------------|------------|----------|
|  | ≤1<br>year | > 1 year<br>- 5 years | > 5<br>years |            | Positive   | Negative |
| Issued debt                            | 75         | 119                   | 92           | 286        | 13         | 2        |
| <b>Interest rate risk micro hedges</b> | <b>75</b>  | <b>119</b>            | <b>92</b>    | <b>286</b> | <b>13</b>  | <b>2</b> |
| <b>Total micro hedge instruments</b>   | <b>75</b>  | <b>119</b>            | <b>92</b>    | <b>286</b> | <b>13</b>  | <b>2</b> |

**5. Investments****Accounting policy for Investments at Amortised cost**

An investment in debt instruments is measured at amortised cost if it is held as part of a portfolio with an underlying business model to collect contractual cash flows until maturity (hold to collect (HTC)). The cash flows of the investment shall solely consist of interest payments and principal repayments (Solely Payments of Principal and Interest, or SPPI).

**Accounting policy for Investments at fair value through other comprehensive income (OCI)**

An investment in debt instruments is measured at fair value through OCI less any impairment losses if it is held as part of a portfolio with an underlying business model to collect contractual cash flows and to sell in the interim (hold to collect and sale (HTCS)). The cash flows of the investment in debt instruments shall solely consist of interest payments and principal repayments. When the investments are sold, the related accumulated fair value adjustments are recognised in the income statement as Investment income. De Volksbank applies the average cost method to determine these results, where necessary.

**Accounting policy for Investments at fair value through profit or loss**

An investment in debt or equity instruments is measured at fair value through profit or loss if it is held as part of a portfolio with an underlying business model that qualifies as 'other' and/or the investment does not meet the IFRS 9 criteria that the cash flows of the investment solely consist of interest payments and principal. The business model 'other' is a business model that does not qualify as HTC or HTCS and may consist of trading portfolios. Realised and unrealised gains and losses are recognised directly in the income statement under Investment income. Interest income earned on securities is recognised as interest income. Dividend received is recorded under Investment income.

Fair value changes of equity investments are recognised in profit or loss or in OCI following an irrevocable election at initial recognition. This choice is made separately for each equity investment.

**Accounting policy for impairment losses of investments**

An expected credit loss (ECL) model is applied to financial assets valued at amortised cost and to financial assets valued at fair value through other comprehensive income (OCI). Under the ECL model, de Volksbank calculates the probability that a default (PD) occurs at different moments in time. This is multiplied by the difference between contractual cash flows due and the expected cash flows to be received, i.e. cash shortfall. The provision is the sum of all cash shortfalls multiplied by the PD at the different moments in time. The ECL calculations contain information about the past, present and future. In order to calculate the ECL, the applicable PD, EAD and LGD are multiplied and discounted.

Impairment losses for interest-bearing investments measured at amortised cost or fair value through OCI are determined based on ECL's. Impairment losses are recognised directly in the income statement under Impairment charges (reversals) of financial assets. For further information on impairment losses on financial assets and the model-based assumptions for the determination of ECL, please refer to Section [4.4.4 Provisioning methodology](#).

At the end of 2023, de Volksbank invested in certain debt securities issued by securitisation vehicles set up by other parties, and outside the scope of de Volksbank's consolidation, amounting to € 117 million (2022: € 70 million). The increase is the result of three investments in 2023 in the highest tranche of Dutch Residential Mortgage-Backed Securities, partially offset by two full redemptions. All outstanding debt securities concern mortgage-backed investments with an investment grade rating, which expose the bank to limited credit risk by being senior in the payment waterfall of the securitisation vehicles.

**Statement of changes in equity securities**

| in € millions               | Fair value through OCI |          | Fair value through P&L |          | Total     |           |
|-----------------------------|------------------------|----------|------------------------|----------|-----------|-----------|
|                             | 2023                   | 2022     | 2023                   | 2022     | 2023      | 2022      |
| Opening balance             | 3                      | 5        | 9                      | 8        | 12        | 13        |
| Revaluations                | --                     | --       | 2                      | 1        | 2         | 1         |
| Impairments                 | --                     | -2       | --                     | --       | --        | -2        |
| <b>Closing balance</b>      | <b>3</b>               | <b>3</b> | <b>11</b>              | <b>9</b> | <b>14</b> | <b>12</b> |
| (Amortised) cost price      | 3                      | 3        | 11                     | 9        | 14        | 12        |
| Provision for credit losses | --                     | --       | --                     | --       | --        | --        |
| Unrealised gains (losses)   | --                     | --       | --                     | --       | --        | --        |
| <b>Total</b>                | <b>3</b>               | <b>3</b> | <b>11</b>              | <b>9</b> | <b>14</b> | <b>12</b> |

**Overview of investments**

| in € millions          | Equity securities |           | Debt securities |              | Total        |              |
|------------------------|-------------------|-----------|-----------------|--------------|--------------|--------------|
|                        | 2023              | 2022      | 2023            | 2022         | 2023         | 2022         |
| Amortised cost         | --                | --        | 3,426           | 2,751        | 3,426        | 2,751        |
| Fair value through OCI | 3                 | 3         | 3,276           | 2,803        | 3,279        | 2,806        |
| Fair value through P&L | 11                | 9         | 17              | 25           | 28           | 34           |
| <b>Total</b>           | <b>14</b>         | <b>12</b> | <b>6,719</b>    | <b>5,579</b> | <b>6,733</b> | <b>5,591</b> |

The total value of investments increased from € 5,591 million in 2022 to € 6,733 million in 2023.

As in 2022, all debt securities were allocated to stage 1. The provision for credit losses on debt securities was equal to year-end 2022 and amounted to € 7 million.

In 2023, there were no realised amounts from the HTC portfolio. In 2022, part of the HTC portfolio was sold and the associated hedges were unwound, mainly caused by the increased credit risk at that time of some government bonds making them no longer appropriate in the HTC investment mandate.

## Statement of changes in debt securities

| in € millions                                      | Amortised cost |              | Fair value through OCI |              | Fair value through P&L |           | Total        |              |
|--|----------------|--------------|------------------------|--------------|------------------------|-----------|--------------|--------------|
|  | 2023           | 2022         | 2023                   | 2022         | 2023                   | 2022      | 2023         | 2022         |
| Opening balance                                    | 2,751          | 3,295        | 2,803                  | 2,330        | 25                     | --        | 5,579        | 5,625        |
| Reclassifications                                  | --             | -25          | --                     | --           | --                     | 25        | --           | --           |
| Purchases and advances                             | 3,345          | 658          | 1,003                  | 1,537        | --                     | --        | 4,348        | 2,195        |
| Disposals  | --             | -274         | -686                   | -613         | --                     | --        | -686         | -887         |
| Redemptions  | -2,736         | -667         | -68                    | -40          | --                     | --        | -2,804       | -707         |
| Revaluations                                       | --             | --           | 213                    | -404         | 2                      | -1        | 215          | -405         |
| Change in fair value as result of hedge accounting | 77             | -220         | --                     | --           | --                     | --        | 77           | -220         |
| Change in trading portfolio                        | --             | --           | --                     | --           | -10                    | 1         | -10          | 1            |
| Exchange rate differences                          | -13            | --           | --                     | --           | --                     | --        | -13          | --           |
| Impairments  | --             | -2           | --                     | -4           | --                     | --        | --           | -6           |
| Accrued interest                                   | -3             | -7           | 11                     | 1            | --                     | --        | 8            | -6           |
| Amortisation                                       | 5              | -7           | --                     | -4           | --                     | --        | 5            | -11          |
| <b>Closing balance</b>                             | <b>3,426</b>   | <b>2,751</b> | <b>3,276</b>           | <b>2,803</b> | <b>17</b>              | <b>25</b> | <b>6,719</b> | <b>5,579</b> |
| (Amortised) cost price                             | 3,429          | 2,754        | 3,455                  | 3,196        | 17                     | 25        | 6,901        | 5,975        |
| Provision for credit losses                        | -3             | -3           | -4                     | -4           | --                     | --        | -7           | -7           |
| Unrealised gains (losses)                          | --             | --           | -175                   | -389         | --                     | --        | -175         | -389         |
| <b>Total</b>                                       | <b>3,426</b>   | <b>2,751</b> | <b>3,276</b>           | <b>2,803</b> | <b>17</b>              | <b>25</b> | <b>6,719</b> | <b>5,579</b> |

## Investments by counterparty

| in € millions                                | Amortised cost |              | Fair value through OCI |              | Fair value through P&L |           | Total        |              |
|--|----------------|--------------|------------------------|--------------|------------------------|-----------|--------------|--------------|
|  | 2023           | 2022         | 2023                   | 2022         | 2023                   | 2022      | 2023         | 2022         |
| <b>Equity securities</b>                     |                |              |                        |              |                        |           |              |              |
| Financial corporations                       | --             | --           | 3                      | 3            | 11                     | 9         | 14           | 12           |
| <b>Debt securities</b>                       |                |              |                        |              |                        |           |              |              |
| General governments                          | 2,119          | 1,664        | 2,108                  | 1,823        | 17                     | 25        | 4,244        | 3,512        |
| Credit institutions                          | 1,062          | 854          | 622                    | 452          | --                     | --        | 1,684        | 1,306        |
| Other financial corporations                 | 117            | 70           | 214                    | 219          | --                     | --        | 331          | 289          |
| Non-financial corporations                   | 128            | 163          | 332                    | 309          | --                     | --        | 460          | 472          |
| <b>Total debt securities</b>                 | <b>3,426</b>   | <b>2,751</b> | <b>3,276</b>           | <b>2,803</b> | <b>17</b>              | <b>25</b> | <b>6,719</b> | <b>5,579</b> |
| <i>of which: green and sustainable bonds</i> | <i>1,510</i>   | <i>1,418</i> | <i>858</i>             | <i>694</i>   | --                     | --        | <i>2,368</i> | <i>2,112</i> |
| <b>Total investments</b>                     | <b>3,426</b>   | <b>2,751</b> | <b>3,279</b>           | <b>2,806</b> | <b>28</b>              | <b>34</b> | <b>6,733</b> | <b>5,591</b> |

## Investments by rating

| in € millions | Amortised cost |              | Fair value through OCI |              | Fair value through P&L |           | Total        |              |
|---------------|----------------|--------------|------------------------|--------------|------------------------|-----------|--------------|--------------|
|               | 2023           | 2022         | 2023                   | 2022         | 2023                   | 2022      | 2023         | 2022         |
| AAA           | 1,547          | 1,588        | 1,734                  | 1,458        | 17                     | --        | 3,298        | 3,046        |
| AA            | 975            | 1,082        | 673                    | 673          | --                     | --        | 1,648        | 1,755        |
| A             | 852            | 60           | 484                    | 333          | --                     | --        | 1,336        | 393          |
| BBB           | 22             | 21           | 385                    | 339          | --                     | --        | 407          | 360          |
| < BBB         | --             | --           | --                     | --           | --                     | --        | --           | --           |
| No rating     | 30             | --           | 3                      | 3            | 11                     | 34        | 44           | 37           |
| <b>Total</b>  | <b>3,426</b>   | <b>2,751</b> | <b>3,279</b>           | <b>2,806</b> | <b>28</b>              | <b>34</b> | <b>6,733</b> | <b>5,591</b> |



## Investments by country

| in € millions   | Amortised cost |              | Fair value through OCI |              | Fair value through P&L |           | Total        |              |
|-----------------|----------------|--------------|------------------------|--------------|------------------------|-----------|--------------|--------------|
|                 | 2023           | 2022         | 2023                   | 2022         | 2023                   | 2022      | 2023         | 2022         |
| Germany         | 836            | 705          | 845                    | 762          | --                     | --        | 1,681        | 1,467        |
| Netherlands     | 510            | 662          | 815                    | 766          | 2                      | 1         | 1,327        | 1,429        |
| France          | 464            | 501          | 294                    | 307          | --                     | --        | 758          | 808          |
| Belgium         | 298            | 235          | 357                    | 274          | 17                     | 25        | 672          | 534          |
| Austria         | 119            | 146          | 70                     | 73           | --                     | --        | 189          | 219          |
| Luxembourg      | 109            | 145          | 241                    | 240          | --                     | --        | 350          | 385          |
| Ireland         | 24             | 23           | 5                      | 5            | --                     | --        | 29           | 28           |
| Finland         | 172            | 164          | 26                     | --           | --                     | --        | 198          | 164          |
| Spain           | 22             | 21           | 356                    | 182          | --                     | --        | 378          | 203          |
| Japan           | 667            | -            | --                     | --           | --                     | --        | 667          | -            |
| Other countries | 205            | 149          | 270                    | 197          | 9                      | 8         | 484          | 354          |
| <b>Total</b>    | <b>3,426</b>   | <b>2,751</b> | <b>3,279</b>           | <b>2,806</b> | <b>28</b>              | <b>34</b> | <b>6,733</b> | <b>5,591</b> |

## 6. Loans and advances to banks

**Accounting policy for loans and advances to banks**

Loans and advances to banks are measured at amortised cost using the effective interest method. Any impairment losses are based on an expected credit loss (ECL) model. This item includes receivables from banks with a remaining maturity of one month or more. This item relates to loans and advances to banks, excluding interest-bearing securities, and demand deposits with the Dutch Central Bank (DNB).

## Loans and advances to banks

| in € millions                                | 2023         | 2022         |
|--|--------------|--------------|
| Deposits                                     | 4,163        | 6,487        |
| Demands deposits with the Dutch Central Bank | 512          | 402          |
| Provision for credit losses                  | -4           | -5           |
| <b>Total</b>                                 | <b>4,671</b> | <b>6,884</b> |

Loans and advances to banks are classified in stage 1. The provision for credit losses decreased to € 4 million (2022: € 5 million). In 2023, credit spreads decreased, while 2022 saw an increase.

The loans and advances to banks amounted for € 585 million of collateral posted on derivative transactions (2022: € 707 million).

For restricted Loans and advances to banks, see Note [23 Transferred and encumbered assets](#).

## 7. Loans and advances to customers

**Accounting policy for loans and advances to customers**

Loans and advances to customers are measured at amortised cost using the effective interest method.

**Provisions for loans and advances to customers**

Expected credit loss (ECL) provisions are recognised for credit exposures measured at amortised cost and loan commitments and financial guarantee contracts (off-balance sheet items). Under the ECL model, de Volksbank calculates the probability that a default (PD) occurs at different moments in time. This is multiplied by the difference between contractual cash flows due and the expected cash flows to be received, i.e. 'cash shortfall'. The provision is the sum of all cash shortfalls multiplied by the PD at the different moments in time. The ECL calculations contain information about the past, present and future. In order to calculate the ECL, the applicable PD, EAD and LGD are multiplied and discounted.

A three-stage model is used under IFRS 9. In stage 1, de Volksbank recognises credit exposures that have shown no significant increase of credit risk since initial recognition and a 12-month expected loss is determined. Stage 2 comprises credit exposures that show a significant increase of credit risk relative to initial recognition but that are not credit impaired. For these credit exposures, a lifetime expected credit loss is determined. Credit exposures that are credit impaired are recognised in stage 3, for which also a lifetime expected credit loss is determined. De Volksbank applies a specific default definition for each portfolio for which loan loss provisions are determined under IFRS 9. For more information about the stage allocation process, please refer to Section [4.4.4 Provisioning methodology](#).

**Write-off**

When writing off a loan, we make a distinction between the waiver of amounts payable and the write-off of a residual debt. The following is a description of these terms:

1. Waiver of amounts payable: a (part of the) loan is written off if the waiver of amounts payable leads to the customer's recovery. The consequence of this is that the customer can meet his or her payment obligations again. Waivers of amounts payable are debited to the credit provision;
2. Write-off of residual debt: there may be a residual debt as a result of a recovery process. This residual debt is fully provisioned for. Any collateral is realised during a period of 6 months after the execution process. After this period, any remaining debt is written off and there is no reasonable expectation of recovery.

The total provision for loans and advances amounted to € 182 million as at 31 December 2023 (year-end 2022: € 154 million). The increase in provisions was mainly due to the residential mortgage portfolio and a few individual corporate loans.

More information on loans and advances to customers can be found in Section [4.4.4 Provisioning methodology](#) which describes the breakdown of the stages and gives information on the models used and in Section [4.4.5 Figures, ratios and trends](#) up to and including Section [4.4.10 Other corporate and governmental loans](#) labelled 'Audited', for quantitative and qualitative information on the portfolios.

## 8. Property, equipment and intangible assets

### Accounting policy for Property and Equipment

#### Land and buildings in own use

Property in own use mainly comprises offices (land and buildings) and is measured at cost net of accumulated depreciation and, if applicable, impairment losses.

Buildings are depreciated over their economic life using the straight-line method, with a maximum of 50 years. Land is not depreciated. An assessment is made whether there is an indication that land and buildings may be impaired.

#### IT equipment and other assets

All other tangible assets included in this item are measured at cost net of accumulated depreciation and, if applicable, accumulated impairment losses.

The cost price comprises the expenses directly attributable to the acquisition of the assets and is depreciated on a straight-line basis over the useful life, taking into account any residual value. The estimated useful life may vary from 3 to 10 years.

### Loans and advances to customers by portfolio

| in € millions                        | Gross carrying amount |                     | Provision for credit losses |             | Book value    |               |
|--------------------------------------|-----------------------|---------------------|-----------------------------|-------------|---------------|---------------|
|                                      | 2023                  | 2022                | 2023                        | 2022        | 2023          | 2022          |
| Residential mortgages                | 47,885 <sup>1</sup>   | 46,232 <sup>1</sup> | -118                        | -98         | 47,767        | 46,134        |
| Consumer loans                       | 59                    | 54                  | -8                          | -9          | 51            | 45            |
| SME loans                            | 1,235                 | 1,085               | -22                         | -24         | 1,213         | 1,061         |
| Other corporate and government loans | 1,850                 | 1,749               | -34                         | -23         | 1,816         | 1,726         |
| <b>Total</b>                         | <b>51,029</b>         | <b>49,120</b>       | <b>-182</b>                 | <b>-154</b> | <b>50,847</b> | <b>48,966</b> |

<sup>1</sup> Including IFRS value adjustments of € 1,316 million negative (2022: € 2,040 million negative), consisting of fair value adjustments from hedge accounting and amortisations.

De Volksbank has securitised part of the mortgage loans. The remaining principal of the securitised portfolio amounts to € 8.5 billion (2022: € 8.2 billion), of which € 8.2 billion (2022: € 7.9 billion) is on its own book. There is a limited transfer of risks and benefits for the securitised mortgage loans. Therefore, they are not derecognised from the balance sheet. Further information on securitisation transactions is provided under Note [14 Debt certificates](#), and for more information on intra-group transactions, see Note [23 Related parties](#). More information on asset encumbrance can be found in Note [23 Transferred and encumbered assets](#).

## Accounting policy for intangible Assets

### Goodwill

De Volksbank accounts for business combinations when control is obtained by the bank. All items of the consideration are measured and recognised at fair value at acquisition date. The excess of consideration over the share of the fair value of the identifiable net assets acquired is recorded as goodwill. Transaction costs in connection to the purchase of the business combination are expensed as incurred.

Any change, in the fair value of acquired assets and liabilities at the acquisition date, determined within one year after acquisition, is recognised as an adjustment charged to goodwill. Adjustments that occur after a period of one year are recognised in the income statement.

### General

Intangible assets are measured at cost net of accumulated amortisation and, if applicable, accumulated impairment losses.

### Software

Costs that are directly related to the development of identifiable software products that de Volksbank controls and that are likely to generate economic benefits that exceed these costs, are capitalised as intangible assets. The direct costs comprise external costs and staff costs directly attributable to software development. All other costs associated with the development or maintenance of software are included as an expense in the period during which they are incurred.

### Other intangible assets

The other intangible assets of de Volksbank consist of distribution networks and are amortised in accordance with the straight-line method over their estimated useful life, generally between five and fifteen years. If objective indications require so, an impairment test will be performed.

## Accounting policy for impairments

Goodwill created with the acquisition of subsidiaries, associated companies and joint ventures is allocated to cash-generating units (CGU). The book value of the CGU, including goodwill, is compared to the calculated recoverable value, determined on the basis of value-in-use. If the recoverable value is lower than the book value, the difference will be recognised as impairment in the income statement. Assumptions used in these goodwill impairment tests are value-in-use based on the business plans and the allocated discount rate based on the risk profile of the CGU.

### General

An asset is subject to impairment if its book value exceeds the recoverable amount from continued use (value-in-use) or sale of the asset. The recoverable amount is the highest value of the fair value less costs of disposal and the value in use. The recoverable amount of assets is estimated if there are indications of impairment of the asset. Intangible assets not yet available for use are tested for impairment at least once a year. If such intangible assets are initially recognised during the reporting period, they are tested for impairment before the end of the reporting period.

### Software and other intangible assets

On each reporting date, the capitalised costs for software, distribution channels and customer portfolios are reviewed for indicators of potential impairments.

### Reversal of impairments on property, equipment and intangible assets

Except for goodwill, impairment losses on property, equipment and intangible assets are reversed if there is proof that a change in the estimates used to determine the recoverable amount occurred after the impairment loss was recognised. The reversal is included under depreciations in the income statement. The book value after reversal may never exceed the amount before recognition of the impairment loss.

## Tangible and intangible assets

### Tangible and intangible assets

| in € millions                       | 2023      | 2022      |
|-------------------------------------|-----------|-----------|
| Land and buildings in own use       | 8         | 8         |
| IT equipment                        | 10        | 8         |
| Other tangible assets               | 22        | 25        |
| Right of use assets                 | 32        | 38        |
| <b>Total property and equipment</b> | <b>72</b> | <b>79</b> |
| Goodwill                            | 4         | 5         |
| Other intangible assets             | 1         | 1         |
| <b>Total intangible assets</b>      | <b>5</b>  | <b>6</b>  |
| <b>Total</b>                        | <b>77</b> | <b>85</b> |

For a more detailed explanation on right of use assets, see Note 18 Leases. All subleases are treated as finance subleases. As a consequence, net investment in the subleases are recognised under Note 10 Other assets.

## Property and equipment

### Statement of changes in property and equipment

| in € millions                            | Land and buildings |          | IT equipment |          | Other tangible assets |           | Total     |           |
|--|--------------------|----------|--------------|----------|-----------------------|-----------|-----------|-----------|
|  | 2023               | 2022     | 2023         | 2022     | 2023                  | 2022      | 2023      | 2022      |
| Accumulated acquisitions costs           | 9                  | 10       | 45           | 39       | 97                    | 95        | 151       | 144       |
| Accumulated depreciation and impairments | --                 | -2       | -35          | -31      | -75                   | -70       | -110      | -103      |
| <b>Closing balance</b>                   | <b>9</b>           | <b>8</b> | <b>10</b>    | <b>8</b> | <b>22</b>             | <b>25</b> | <b>41</b> | <b>41</b> |
| Opening balance                          | 8                  | 11       | 8            | 6        | 25                    | 26        | 41        | 43        |
| Investments                              | --                 | --       | 6            | 6        | 4                     | 7         | 10        | 13        |
| Divestments                              | --                 | -3       | --           | --       | --                    | --        | --        | -3        |
| Depreciation                             | --                 | --       | -4           | -4       | -6                    | -7        | -10       | -11       |
| Impairments                              | --                 | --       | --           | --       | -1                    | -1        | -1        | -1        |
| <b>Closing balance</b>                   | <b>8</b>           | <b>8</b> | <b>10</b>    | <b>8</b> | <b>22</b>             | <b>25</b> | <b>40</b> | <b>41</b> |

At year-end 2023, the renovations to the leased office premises not yet in use amounted to € 0 million (2022: € 1 million).

## Intangible assets

### Statement of changes in intangible assets

| in € millions                            | Goodwill |          | Other intangible assets |          | Total    |          |
|--|----------|----------|-------------------------|----------|----------|----------|
|  | 2023     | 2022     | 2023                    | 2022     | 2023     | 2022     |
| Accumulated acquisition costs            | 4        | 5        | 1                       | 1        | 5        | 6        |
| Accumulated amortisation and impairments | --       | --       | --                      | --       | --       | --       |
| <b>Closing balance</b>                   | <b>4</b> | <b>5</b> | <b>1</b>                | <b>1</b> | <b>5</b> | <b>6</b> |
| Opening balance                          | 5        | 5        | 1                       | 1        | 6        | 6        |
| Depreciation purchases                   | --       | --       | --                      | --       | --       | --       |
| Impairments                              | -1       | --       | --                      | --       | -1       | --       |
| <b>Closing balance</b>                   | <b>4</b> | <b>5</b> | <b>1</b>                | <b>1</b> | <b>5</b> | <b>6</b> |

## Goodwill and other intangible assets

On 1 September 2021, de Volksbank completed the acquisition of 90% of the shares in the property valuation platform Fitrex B.V. The total purchase price amounted to € 8 million. In line with IFRS 3 Business Combinations, the transaction results in a goodwill amount of approximately € 5 million. The amount of goodwill is assessed annually for impairment. In 2023, the goodwill has been impaired by € 1 million, because projected profits are less favourable than expected due to changed market conditions. Other intangibles amounted to € 1 million and are largely attributable to the customer base for intermediaries, with a 5-year amortisation period.

## Depreciation and amortisation

### Depreciation and amortisation of property and equipment

| in € millions                                | 2023      | 2022      |
|--|-----------|-----------|
| Depreciation on tangible assets              | 10        | 11        |
| Impairments on tangible assets               | 1         | 1         |
| Depreciation of right of use assets (leases) | 11        | 10        |
| Impairment on intangible assets              | 1         | --        |
| <b>Total</b>                                 | <b>23</b> | <b>22</b> |

## 9. Tax assets and liabilities

### Accounting policy for tax assets and liabilities

#### Accounting policy for corporate tax

Corporate income tax relates to payable or recoverable tax on the taxable profit for the period under review, and taxes due from previous periods. If any corporate income tax includes dividend withholding tax, this is settled through the corporate income tax return. Current tax recoverables and payables are measured at nominal value according to the tax rate applicable at the reporting date.

#### Accounting policy for deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for tax losses carried forward and for temporary differences between the tax base of assets and liabilities and the book value. This is based on the tax rates applicable as at the balance sheet date and the tax rates that will apply in the period in which the deferred tax assets or tax liabilities are settled. Deferred taxes are measured at nominal value.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets are assessed at balance sheet date.

The financial instruments in the tax return are valued on the basis of the same accounting principles as those that apply to the financial statements for reporting purposes with exception of the revaluation reserve.

The most significant temporary differences arise from certain financial assets and liabilities provisions for pensions and other post-retirement employee plans, deductible losses carried forward and, as far as acquisitions are concerned, from the difference between (a) the fair value of the acquired net assets and (b) the tax value.

### Tax assets and liabilities

| in € millions        | Tax assets |           | Tax liabilities |           |
|----------------------|------------|-----------|-----------------|-----------|
|                      | 2023       | 2022      | 2023            | 2022      |
| Corporate income tax | --         | 12        | 66              | --        |
| Deferred taxes       | 14         | 68        | 16              | 19        |
| <b>Total</b>         | <b>14</b>  | <b>80</b> | <b>82</b>       | <b>19</b> |

#### Corporate income tax

Corporate income tax recoverable and payable for the years up to and including 2021 is irrevocable. The return for 2021 was filed in April 2023 and a final assessment was received in August 2023. The corporate income tax due by the various subsidiaries of the fiscal unity for corporate income tax purposes based on the final assessment as well as the return filed, has been settled with the head of the fiscal unity, i.e. de Volksbank N.V. The corporate income tax return for 2022 must be filed before 1 May 2024.

### Origin of deferred tax assets and liabilities in 2023

| in € millions          | Opening balance | Change through P&L | Change through OCI | Other movements | Closing balance |
|------------------------|-----------------|--------------------|--------------------|-----------------|-----------------|
| Property and equipment | -13             | --                 | 2                  | --              | -11             |
| Investments            | 51              | --                 | -51 <sup>1</sup>   | --              | --              |
| Derivatives            | -5              | --                 | --                 | --              | -5              |
| Provisions             | 2               | --                 | --                 | --              | 2               |
| Other liabilities      | 14              | 1                  | -3                 | --              | 12              |
| <b>Total</b>           | <b>49</b>       | <b>1</b>           | <b>-52</b>         | <b>--</b>       | <b>-2</b>       |

<sup>1</sup> After consultation with the tax authorities the DTA recognized for the negative revaluation investments in 2022 is transferred to a current tax position.

## Origin of deferred tax assets and liabilities in 2022

| in € millions          | Opening balance | Adjustment opening balance <sup>1</sup> | Change through P&L | Change through OCI | Other movements | Closing balance |
|------------------------|-----------------|---|--------------------|--------------------|-----------------|-----------------|
| Property and equipment | 1               | -15                                     | --                 | 2                  | -1              | -13             |
| Investments            | -3              | --                                      | --                 | 54                 | --              | 51              |
| Derivatives            | -6              | --                                      | --                 | 1                  | --              | -5              |
| Provisions             | 3               | --                                      | -1                 | --                 | --              | 2               |
| Other liabilities      | 1               | 15                                      | --                 | -2                 | --              | 14              |
| <b>Total</b>           | <b>-4</b>       | <b>--</b>                               | <b>-1</b>          | <b>55</b>          | <b>-1</b>       | <b>49</b>       |

<sup>1</sup> The adjustment is the result of an amendment to IAS 12 Income taxes, as a result of this adjustment deferred tax assets and liabilities arising from a lease are recognised.

## Tax-effect changes total equity

| in € millions                    | 2023       | 2022      |
|----------------------------------|------------|-----------|
| Change in revaluation reserve    | --         | --        |
| Change in cashflow hedge reserve | --         | 1         |
| Change in fair value reserve     | -51        | 54        |
| <b>Total</b>                     | <b>-51</b> | <b>55</b> |

## 10. Other assets

## Accounting policy for other assets

Other assets comprise amounts to be settled, accrued assets and other, including other taxes. The other taxes are recognised at nominal value. The remaining amounts to be settled, accrued assets and other are recognised at amortised cost. The net amount of claims and provisions in relation to the Deposit Guarantee Scheme (DGS) is recorded under other advances.

## Other assets

| in € millions               | 2023       | 2022       |
|-----------------------------|------------|------------|
| Trade and other receivables | 51         | 19         |
| Amounts to be settled       | 153        | 155        |
| Sublease                    | 9          | 11         |
| Accrued assets              | 32         | 28         |
| Other                       | 38         | 36         |
| <b>Total</b>                | <b>283</b> | <b>249</b> |

## Trade and other receivables

Trade and other receivables relates to various receivables in the normal course of business include short-term receivables relating to mortgage and other amounts receivables from customers.

## Amounts to be settled

Amounts to be settled primarily include transactions not settled at balance sheet date. The nature of these transactions is short term and are expected to settle shortly after the closing date of the balance sheet.

## Other

Other includes the advanced contribution of de Volksbank to the Dutch Central Bank of € 38 million (2022: € 36 million) under the DGS in relation to its share related to the bankruptcy of DSB bank.

## 11. Amounts due to banks

### Accounting policy for amounts due to banks

Amounts due to banks comprise unsubordinated debts to credit institutions. Amounts due to banks include private placements, current accounts and repurchase agreements.

At initial recognition, amounts due to banks in the banking book are measured at fair value, including transaction costs incurred. Thereafter, they are measured at amortised cost.

Any difference between the measurement at initial recognition and the redemption value is recognised under interest expense in the income statement during the term of these amounts owed by using the effective interest method.

Amounts due to banks held for trading are measured at fair value through profit or loss. Unrealised and realised gains or losses are recognised in Other result on financial instruments.

### Amounts due to banks

| in € millions                            | 2023         | 2022         |
|--|--------------|--------------|
| Repurchase agreements - held for trading | 100          | 232          |
| Cash collateral received                 | 1,549        | 2,447        |
| Current accounts                         | 1            | 11           |
| Deposits with agreed maturity            | 297          | 115          |
| <b>Total</b>                             | <b>1,947</b> | <b>2,805</b> |

Total cash collateral received decreased in 2023 due to an decrease in the positive current market value of derivatives.

Under private loans, the last positions related to the placement of debt instruments (Schuldscheine) with banks were redeemed in 2023 (2022: € 10 million).

## 12. Savings

### Accounting policy for savings

Savings consist of balances on (bank) savings accounts, savings deposits and term deposits of households. At initial recognition savings are measured at fair value. Thereafter, they are measured at amortised cost.

Any difference between the measurement at initial recognition and the redemption value is recognised under 'interest expense' in the income statement during the term of these savings by using the effective interest method.

### Savings of households

| in € millions                 | 2023          | 2022          |
|-------------------------------|---------------|---------------|
| Deposits with agreed maturity | 4,574         | 3,979         |
| Deposits due on demand        | 39,049        | 40,522        |
| <b>Total</b>                  | <b>43,623</b> | <b>44,501</b> |

Bank savings accounts amounted to € 3,456 million (2022: € 3,588 million).

## 13. Other amounts due to customers

### Accounting policy for other amounts due to customers

Other amounts due to customers represent unsubordinated debts to non-banks, other than in the form of debt certificates. This item mainly comprise demand deposits and cash.

At initial recognition other amounts due to customers are measured at fair value, including transaction costs incurred. Thereafter, they are measured at amortised cost.

Any difference between the measurement at initial recognition and the redemption value is recognised under interest expense in the income statement during the term of these amounts owed by using the effective interest method.

## Other amounts due to customers

| in € millions                               | 2023          | 2022          |
|---|---------------|---------------|
| Current accounts - households               | 6,153         | 7,018         |
| Current accounts - corporates               | 947           | 1,117         |
| Savings deposits mortgages - households     | 570           | 542           |
| Investment portfolio mortgages - households | 15            | 15            |
| Deposits with agreed maturity - corporates  | 1,788         | 1,795         |
| of which private loans                      | 354           | 477           |
| of which savings deposits mortgages         | 1,169         | 1,202         |
| Deposits due on demand - corporates         | 1,814         | 2,162         |
| <b>Total</b>                                | <b>11,287</b> | <b>12,649</b> |

Under private loans, € 353 million relates to the placement of debt instruments (*Schuldscheine*) at pension funds and insurance companies (2022: € 316 million).

Part of the private loans is issued under de Volksbank's covered bond programme. The book value of the private loans amounts to € 158 million (2022: € 157 million). Additional repayment security for these private loans was given by the Covered Bond Company. For more information on the covered bond programme, reference is made to Note 14 Debt certificates.

As part of savings mortgage arrangement, de Volksbank and insurer Athora Netherlands have agreed that the savings premiums received from the customer by the insurer will be held by the bank. These savings premiums and the interest credited (the savings capital designated for mortgage redemption) mean that, in principle, the insurer has an unsecured claim against the bank. To spread the insurer's default risk, a cession/retrocession agreement was concluded under which the insurer transfers the savings capital to the bank in exchange for a partial and joint right to the savings-based mortgage claims. In 2023, the savings capital accrued totalled € 1,169 million (2022: € 1,202 million).

## 14. Debt certificates

## Accounting policy for debt certificates

Debt certificates include the non-subordinated bonds and other debt certificates with a fixed or variable interest rate. At initial recognition outstanding debt certificates are measured at fair value, which corresponds to the issue proceeds (the fair value of the payment received) net of the transaction costs incurred. Subsequently, these instruments are measured at amortised cost, using the effective interest method.

When de Volksbank purchases its own debt securities, these debt securities are derecognised.

## Debt certificates

| in € millions  | 2023         | 2022         |
|--|--------------|--------------|
| Medium-term notes (MTN)  | 7,705        | 7,166        |
| Certificates of deposits   | --           | 100          |
| Debt certificates issued under Pearl and Lowland Securitisation programmes | 230          | 278          |
| <b>Balance as at 31 December</b>   | <b>7,935</b> | <b>7,544</b> |

## Statement of changes in debt certificates

| in € millions  | Medium Term Notes |              | Certificates of Deposit |            | Issued under securitisation programmes |            | Total        |              |
|--|-------------------|--------------|-------------------------|------------|--|------------|--------------|--------------|
|  | 2023              | 2022         | 2023                    | 2022       | 2023                                   | 2022       | 2023         | 2022         |
| Opening balance                                      | 7,166             | 6,858        | 100                     | 200        | 278                                    | 344        | 7,544        | 7,402        |
| Issues   | 995               | 857          | 308                     | 343        | --                                     | --         | 1,303        | 1,200        |
| Redemptions  | -487              | -529         | -409                    | -444       | -48                                    | -66        | -944         | -1,039       |
| Revaluations   | 1                 | -28          | --                      | --         | --                                     | --         | 1            | -28          |
| Amortisation   | 9                 | 7            | 1                       | --         | --                                     | --         | 10           | 7            |
| Change accrued interest                              | 21                | 9            | --                      | 1          | --                                     | --         | 21           | 10           |
| Change in fair value as a result of hedge accounting | --                | -8           | --                      | --         | --                                     | --         | --           | -8           |
| <b>Closing balance</b>                               | <b>7,705</b>      | <b>7,166</b> | <b>--</b>               | <b>100</b> | <b>230</b>                             | <b>278</b> | <b>7,935</b> | <b>7,544</b> |



## Medium Term Notes

### Medium Term Notes

| in € millions     | Coupon rate | Book value   | Nominal value | Book value   | Nominal value |
|-------------------|-------------|--------------|---------------|--------------|---------------|
|                   |             | 2023         | 2023          | 2022         | 2022          |
| De Volksbank N.V. | Fixed       | 7,416        | 7,443         | 6,879        | 6,930         |
| De Volksbank N.V. | Structured  | 89           | 79            | 87           | 79            |
| De Volksbank N.V. | Floating    | 200          | 200           | 200          | 200           |
| <b>Total</b>      |             | <b>7,705</b> | <b>7,722</b>  | <b>7,166</b> | <b>7,209</b>  |

The Medium Term Notes (MTM) comprise both private loans and public loans issued under the EMTN programme.

For a total of 4.3 billion (2022: € 4.3 billion) of MTM's, bonds were issued under the Covered Bond programme by de Volksbank. Payment of interest and principal is guaranteed by a structured entity SPV, Volks Covered Bond Company BV ('CBC'). To enable CBC to fulfil its guarantee, de Volksbank legally transferred Dutch mortgage loans originated by de Volksbank to CBC. Furthermore, de Volksbank offers protection against the deterioration of the mortgage loans. CBC is fully consolidated by de Volksbank.

With regard to the covered bond programme, de Volksbank undertakes at the request of CBC to offer to transfer eligible assets to CBC, provided that CBC shall only request a transfer of eligible assets if it determines that the Asset Cover Test has been breached. The Asset Cover Test is an arithmetic test that determines the minimum amount of assets needed to cover the liabilities guaranteed by CBC.

### Certificates of deposit

Certificates of deposit are debt securities with a fixed interest rate and a short-term maturity. At the end of 2023, de Volksbank issued € 0 million (2022: € 100 million) in Certificates of deposit.

### Securitisation programmes

De Volksbank entered into securitisation programmes to obtain funding and to improve liquidity. Within these programmes de Volksbank sells own-originated mortgage receivables to a SPV. The SPV issues securitised notes that are eligible collateral for the ECB. In most programmes, de Volksbank acts as investor of the securitised notes. As the SPVs are set up for the benefit of de Volksbank and there is limited transfer of risks and rewards, de Volksbank continues to consolidate the SPVs.

### Debt certificates issued under Pearl and Lowland securitisation programmes

De Volksbank has securitised part of its mortgage loans. In these securitisation transactions, the economic ownership of mortgage loans is transferred to separate companies. These loans were transferred at nominal value plus a deferred purchase price. A positive result within the SPV's leads to the creation of a positive value of the deferred purchase price. De Volksbank thus retains an economic interest in these companies. On the basis of this economic interest and other criteria established by IFRS for control, de Volksbank has these companies fully consolidated in the financial statements.

Securitisation transactions have a so-called call + step-up structure. This means that after a specific call date, the company will have the right to redeem the bonds early. Additionally, on this specific date, the coupon on the bonds will be subject to a rise in interest rate (step-up). Under normal market conditions, this creates an economic incentive to redeem the bonds early. An overview of the securitisations as at 31 December is provided below:

### Overview debt certificates issued under Pearl and Lowland securitisation programmes

| in € millions | Initial principal | Start of securitisation | Book value   | First call-option date | Contractual expiration |
|---------------|-------------------|-------------------------|--------------|------------------------|------------------------|
|               |                   |                         | 2023         | 2022                   |                        |
| Pearl 1       | 1,014             | 09-2006                 | 308          | 356                    | 18-09-2026 18-09-2047  |
| Lowland 5     | 5,027             | 05-2018                 | --           | 5,027                  | 18-05-2023 18-05-2055  |
| Lowland 6     | 2,500             | 10-2018                 | --           | 2,499                  | 18-10-2023 18-10-2055  |
| Lowland 7     | 8,000             | 04-2023                 | 7,909        | --                     | 18-04-2028 18-04-2060  |
| <b>Total</b>  |                   |                         | <b>8,217</b> | <b>7,882</b>           |                        |
| On own book   |                   |                         | -7,987       | -7,604                 |                        |
| <b>Total</b>  |                   |                         | <b>230</b>   | <b>278</b>             |                        |

At year-end 2023, de Volksbank held securitisation programme bonds on its own book at an amortised cost of € 8.0 billion (2022: € 7.6 billion).

Part of the senior tranches of Pearl 1 and Lowland 7 are held for own account and qualify as eligible assets at the ECB.

## 15. Subordinated debts

### Accounting policy for subordinated debts

Subordinated debt is measured at fair value upon initial recognition, which corresponds to the proceeds net of the transaction costs incurred. Subsequently, these instruments are measured at amortised cost, using the effective interest method.

The subordinated debts of de Volksbank form part of the eligible own funds, which are used in determining the solvency position of de Volksbank.

### Statement of changes subordinated debts

| in € millions                | 2023       | 2022       |
|------------------------------|------------|------------|
| Opening balance              | 500        | 500        |
| Issues                       | --         | --         |
| Redemptions                  | --         | --         |
| Revaluations                 | --         | --         |
| Movement in accrued interest | --         | --         |
| <b>Closing balance</b>       | <b>500</b> | <b>500</b> |

The (Tier 2) bonds have a book value of € 500 million (2022: € 500 million) and relate to a green Tier 2 capital instrument for a total amount of € 500 million issued in 2020. These bonds, with a maturity of 10.25 years and a fixed coupon rate of 1.75%, have a call option during a 6-month period starting on 22 July 2025.

## 16. Provisions

### Accounting policy for provisions

### General

Provisions are recognised if de Volksbank has a present obligation, legally or constructive, arising from events in the past, and to which it is more likely than not that the settlement of the obligation requires an outflow of assets, and for which a reliable estimate of the size of the obligation can be made. Provisions are measured at the present value of the expected future cashflows. Additions and any subsequent releases are recorded in the related line item in the income statement.

### Provision for employee benefits

De Volksbank recognises a provision for employee commitments including various forms of employee benefit plans such as health insurance, savings, mortgages and jubilee benefits schemes. The measurement is based on the net present value taking into account actuarial assumptions.

### Restructuring provision

The restructuring provision is a specific provision that consists of anticipated severance payments and other costs that are directly related to restructuring programmes. These costs are accounted for in the period in which a legally enforceable or constructive obligation to make the payment arises. No provision is formed for costs or future operating losses stemming from continuing operations.

De Volksbank recognises severance payments if de Volksbank has demonstrably committed itself, to:

- the termination of the employment contracts of current employees in accordance with an announced detailed formal plan without the option of the plan being withdrawn; or
- the payment of severance payments as a result of an offer to encourage voluntary redundancy that cannot be withdrawn. Severance payments that are due after more than twelve months after the balance sheet date are discounted.

**Other provisions**

Other provisions include legal provisions. De Volksbank recognises a provision for legal proceedings at the balance sheet date for the estimated liability. The provision comprises an estimate of the payments due during the course of the legal proceedings. Where relevant, any possible external coverage of the legal claim will result in the recognition of an asset if and when payment to de Volksbank becomes virtually certain.

**Provisions for credit losses off-balance sheet items****Provisions for credit losses off-balance sheet items**

Expected credit loss (ECL) provisions are recognised for loan commitments and financial guarantee contracts (off-balance sheet items). For further information on impairment losses, please refer to [Note 7 Loans and advances to customers](#).

**Provisions**

| in € millions                                       | 2023      | 2022      |
|---|-----------|-----------|
| Employee benefits                                   | 12        | 12        |
| Restructuring provision                             | 9         | 13        |
| Other provisions                                    | 12        | 27        |
| Provision for credit losses off-balance sheet items | 11        | 14        |
| <b>Total</b>  | <b>44</b> | <b>66</b> |

For a more detailed explanation of the main pending legal proceedings against de Volksbank see [Note 20 Contingent liabilities and commitments](#).

Employee commitments and other provisions are predominantly long-term in nature.

**Restructuring provision**

At year-end 2021, the restructuring provision in relation to the agile way or working was introduced. At year-end 2022, the restructuring provision was reassessed resulting in a release of € 23 million. This release is the result of a rapidly changing regulatory environment, demanding additional professional expertise and capacity within the bank, compared to the assumptions made in the initial restructuring plan drawn up in 2020. The envisaged reduction in existing FTEs was adjusted in favour of re-employment in other vacancies mainly in relation to additional regulatory

and compliance topics, resulting in fewer redundancies. During 2022 and 2023, € 17 million and € 5 million of the restructuring provision was used respectively. The remaining restructuring provision at year-end 2023 amounted to € 9 million.

**Other provisions****Customer integrity**

As a gatekeeper, de Volksbank helps detect and prevent financial crime, taking a holistic approach to customer integrity in relation to anti-money laundering, to counter the financing of terrorism (CFT) and to ensure compliance with sanctions and tax regulations. We consider the gatekeeper function to be an integral part of our business operations. In 2023, de Volksbank continued to increase investments in this domain. DNB conducted a supervisory review on customer integrity at de Volksbank in 2022 and identified several shortcomings. DNB concluded among other things that de Volksbank did not sufficiently identify and assess its ALM/CFT risks. Also, the results of the identification and assessment of its integrity risks were not up to date according to DNB. In addition, de Volksbank takes insufficient account of the risk factors related to the type of customer, product, service, transaction and delivery channel and to countries or geographic areas. In 2023, DNB concluded that de Volksbank violates the Dutch Anti-money laundering and anti-terrorist financing Act (Wwft), and thus imposed an instruction to remediate the Systematic Integrity Risk Analysis (SIRA) by 1 April 2024. De Volksbank has formed a provision of € 2 million for the incremental costs to be incurred for the remediation activities related to SIRA.

De Volksbank needs an organisation-wide comprehensive remediation plan to remediate and implement a future-proof and robust customer integrity framework. Remediation of the SIRA is the first part of this plan. The focus is on building a fit-for-purpose and robust SIRA framework that serves to methodically identify and assess de Volksbank's customer integrity risks and to enable the implementation of targeted controls to help mitigate any such risks. In view of the above, we recently requested DNB for an extension of the SIRA-related remediation deadline from 1 April to 1 August 2024, which allows us to finalise the SIRA and meet all detailed requirements. This request is pending.

Also refer to the Contingent liability KYC disclosure in [Note 20 Contingent liabilities and commitments](#).

**Customers with variable interest rates loans**

In previous years, de Volksbank formed a provision for revolving consumer credits and overdraft facilities because of rulings on the use of variable interest clauses in consumer loans at other Dutch banks on which the conclusion was 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.

In 2023, the project was finalised and customers were compensated in accordance with a compensation scheme. The provision virtually disappeared as a result of payouts to customers in the amount of € 12 million and a release of € 8 million. The remaining amount is for customers who may still register. As far as credit cards are concerned, customers who made use of the instalment facility until 2018 will be compensated. The financial impact of this is immaterial and therefore no provision was formed.

#### Others

Furthermore, we recognised a provision of € 8 million related to a legal proceeding and we paid out € 4 million in compensation for interest losses due to early repayments on mortgages.

#### Statement of changes in other provisions

| in € millions          | Employee benefits |           | Restructuring provision |           | Other provisions |           | Provision for credit losses off-balance sheet items |           | Total     |           |
|------------------------|-------------------|-----------|-------------------------|-----------|------------------|-----------|---|-----------|-----------|-----------|
|                        | 2023              | 2022      | 2023                    | 2022      | 2023             | 2022      | 2023  | 2022      | 2023      | 2022      |
| Opening balance        | 12                | 14        | 13                      | 53        | 27               | 22        | 14  | 13        | 66        | 102       |
| Additions              | 2                 | 2         | --                      | 1         | 16               | 14        | 4   | 3         | 22        | 20        |
| Amounts used           | -2                | -1        | -5                      | -17       | -23              | -3        | --  | --        | -30       | -21       |
| Releases               | --                | -3        | --                      | -23       | -8               | -5        | -7  | -2        | -15       | -33       |
| Interest               | --                | --        | 1                       | -1        | --               | -1        | --  | --        | 1         | -2        |
| Other movements        | --                | --        | --                      | --        | --               | --        | --  | --        | --        | --        |
| <b>Closing balance</b> | <b>12</b>         | <b>12</b> | <b>9</b>                | <b>13</b> | <b>12</b>        | <b>27</b> | <b>11</b>   | <b>14</b> | <b>44</b> | <b>66</b> |

Movements in the loan loss provision related to off-balance sheet items are shown in the table Changes in the provision for credit losses in Section 4.4.5 Credit Risk-Figures, ratios and trends.

## 17. Other liabilities

#### Accounting policy for other liabilities

Other liabilities consist of other taxes, other liabilities and lease liabilities. Other taxes are recognised at nominal value. Other liabilities are recognised at amortised cost.

#### Other liabilities

| in € millions     | 2023       | 2022       |
|-------------------|------------|------------|
| Other taxes       | 20         | 17         |
| Accruals          | 329        | 315        |
| Lease liabilities | 41         | 50         |
| Other             | 40         | 70         |
| <b>Total</b>      | <b>430</b> | <b>452</b> |

For the accounting principles and a more detailed explanation to the lease liabilities, see Note 18 Lease contracts.

Other mainly relates to amounts payable to customers and suppliers.

## 18. Leases

### Accounting policy for leases

A lease exists if control over the use of an identified asset for a certain period has been obtained in exchange for consideration. The main leases entered into by de Volksbank concern property leases.

De Volksbank recognises a lease liability if it has control over the underlying asset. The lease obligation is valued at the present value of the lease payments that have not yet been made at that time. Because the implicit interest rate of the leases cannot be easily determined, the incremental borrowing rate of de Volksbank is used. The lease payments are discounted using this incremental borrowing rate. During the term of a contract, the lease liability is increased with accrued interest and reduced by lease payments. The lease liability is adjusted for indexations of the lease payments, any changes to the contract or a modified estimate of any extension or termination options.

The right-of-use asset is measured at cost minus cumulative depreciation and impairment. The lease payments included in the initial measurement of the lease liability, initial direct costs and advance payments form part of the cost price. Any corrections to the lease liability are accordingly processed in the right-of-use asset. The right-of-use asset is depreciated on a straight-line basis over the remaining duration of the contract.

Leases for buildings are usually entered into for a contractual period of 5 years. Extension and termination options that are outside this 5-year period are not included in the determination of the lease liability, because there is no reasonable certainty these options will be effected.

De Volksbank uses the option not to include short-term leases and low-value leases on the balance sheet, but to include them in the result as an expense.

### Subleases

A number of store locations are subleased to franchisees. In addition, part of the head office is sublet to third parties. As substantially all of the risks and rewards associated with the right to use the underlying asset have been transferred to the sublessee, they are qualified as finance subleases. A net investment in the lease is recognised as a receivable in Other assets. The net investment in the lease is measured using the discount rate used for the head lease.

### Statement of changes in right-of-use assets related to leases

| in € millions                                   | 2023      | 2022      |
|---|-----------|-----------|
| Opening balance                                 | 38        | 44        |
| Additions                                       | 6         | 6         |
| Derecognition in ROU assets related to sublease | -1        | -2        |
| Depreciation expense                            | -11       | -10       |
| <b>Closing balance</b>                          | <b>32</b> | <b>38</b> |

### Statement of changes in lease liabilities

| in € millions          | 2023      | 2022      |
|------------------------|-----------|-----------|
| Opening balance        | 50        | 57        |
| Additions              | 6         | 7         |
| Interest expenses      | 1         | 1         |
| Lease payments         | -16       | -15       |
| <b>Closing balance</b> | <b>41</b> | <b>50</b> |

Expenses relating to short-term leases and expenses relating to low-value assets were both nil (2022: nil).

The total cash flow from leases during the financial year amounted to € 11 million (2022: € 14 million).

For an overview of the future cash flows from leases, refer to the table Remaining contractual maturity of assets and liabilities in Section 4.6.5 [Funding strategy](#). Income from property sublease amounts to € 0.3 million (2022: € 0.4 million).

### Future lease payments to be received

| in € millions                            | 2023     | 2022      |
|--|----------|-----------|
| 1 year                                   | 4        | 4         |
| 2 years                                  | 3        | 4         |
| 3 years                                  | 2        | 3         |
| 4 years                                  | --       | 1         |
| 5 years                                  | --       | --        |
| > 5 years                                | --       | --        |
| Total                                    | 9        | 12        |
| Unearned finance income                  | --       | --        |
| <b>Total net investment in the lease</b> | <b>9</b> | <b>12</b> |

## 19. Equity

### Share capital and other components of equity

#### Share capital

The issued share capital is fully paid up and comprises of ordinary shares.

#### Fair value reserve

The fair value reserve includes the gains and losses, net of tax, resulting from a change in the fair value of debt instruments measured at FVOCI. When the instruments are sold or otherwise disposed of, the related cumulative gain or loss recognised in equity is recycled to the income statement.

#### Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of taxes, that are recycled to the income statement if the hedged transactions have an impact on profit or loss.

#### Other reserves

Other reserves mainly comprise retained earnings and profit for the period.

#### Dividends

Dividends on ordinary shares classified as equity are recognised as a distribution of equity in the period in which they are approved by shareholders.

#### AT1 capital securities

Undated, deeply subordinated, resettable, callable capital securities are classified as Additional Tier 1 (AT1) capital, under total equity.

### Share capital

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

### Reserves in equity

The share premium reserve did not change during the year.

The cashflow hedge reserve decreased slightly by € 2 million to € 15 million (year-end 2022: € 17 million).

The fair value reserve rose by € 65 million due to realised results on debt securities measured at fair value through OCI with negative fair value reserves.

The other reserves including retained earnings increased due to result appropriation of the previous year by € 101 million (2022: € 65 million). This was partly offset by the interest paid on AT 1 capital securities in the amount of € 21 million (2022: € 11 million).

#### AT1 capital securities

Undated, deeply subordinated, resettable, callable capital securities are classified as Additional Tier 1 (AT1) capital, under total equity. In June 2022, de Volksbank issued its first AT1 notes. The perpetual callable AT1 notes amounted to € 298 million (nominal value: € 300 million) and have a coupon rate of 7.00% up to the first reset date on 15 December 2027.

#### Dividend

Earnings per share are calculated by dividing the (proposed) dividend by the outstanding ordinary shares. The Executive Board of de Volksbank proposes to pay out a dividend of € 164 million (2022: € 90 million) to its shareholder NLFI. The proposed dividend per share is € 195 (2022: € 107).

In 2023 a final dividend payment of € 90 million (2022: € 97 million) was paid to our shareholder NLFI in relation to the previous financial year. This came down to a dividend per share of € 107 (2022: € 115).

#### Non-controlling interest

On 1 September 2021, de Volksbank completed the acquisition of 90% of the shares of the property valuation platform Fitrex B.V. The remaining 10% shares of Fitrex are recorded as a non-controlling interest and amounted to € 0.2 million at year-end 2023.

## 20. Contingent liabilities and commitments

### Accounting policy for contingent liabilities and commitments

#### Contingent liabilities

A contingent liability is a possible obligation that arises from past events and its existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of de Volksbank. A contingent liability may also be a present obligation that arises from past events but is not recognised because it is either not probable that an outflow of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the statement of financial position, but are disclosed in the notes unless the possibility of the outflow of economic benefits is remote.

#### Financial guarantee

A financial guarantee contract requires de Volksbank to make specified payments to the holder if certain conditions are met. The holder of the contract is reimbursed for a loss it incurs if a specified debtor fails to make payment when due under the original or modified terms of a debt instrument.

#### Loan commitment

Loan commitments are commitments to provide credit under pre-specified terms and conditions. The amounts shown in the table for guarantees and commitments represent the maximum amount de Volksbank is exposed to if the contract parties completely fail to perform as agreed. The 'nominal amount' best represents the bank's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements.

#### Impairment losses for off-balance sheet items

Impairment losses for off-balance sheet items such as loan commitments and financial guarantee contracts are recognised in the line item [16 Provisions](#). For further information on impairment losses, please refer to Note [7 Loans and advances to customers](#).

## Commitments and guarantees

### Commitments and guarantees

| in € millions                             | 2023         | 2022         |
|---|--------------|--------------|
| Financial guarantees given                | 4            | 5            |
| Loan commitments given                    | 2,204        | 2,204        |
| <i>Of which: Deposit Guarantee Fund</i>   | 300          | 300          |
| Other commitments                         | 335          | 431          |
| <i>Of which: repurchase commitments</i>   | 287          | 394          |
| <i>Of which: irrevocable IT contracts</i> | 48           | 37           |
| <b>Total</b>                              | <b>2,543</b> | <b>2,640</b> |

#### Financial guarantees given

De Volksbank provides financial guarantees to guarantee customers' performance to third parties.

#### Loan commitments given

The loan commitments given mainly consist of credit facilities granted to customers, but against which no claim has yet been made, such as unused portions of irrevocable credit facilities granted to SME and corporate customers, new loan offers, approved but undrawn loans, revolving facilities, underwriting facilities and home construction accounts. These facilities are granted for a fixed term and at a variable interest rate. Collateral has been secured for a part of the credit facilities.

#### Other commitments given

Some of the collateralised loans and advances in the amount of € 287 million (2022: € 315 million) were sold in the past by a legal predecessor of de Volksbank. This sales transaction entails that de Volksbank, as a legal successor, has a repurchase obligation on the interest repricing date and/or is obliged to convert the form of repayment of the loans and advances. The repurchase price is equal to the outstanding principal adjusted for accrued savings capital intended for mortgage repayments.

In addition, de Volksbank and SRLEV agreed in 2015 that de Volksbank would (re)purchase a mortgage portfolio from SRLEV. In 2023, this full mortgage portfolio was repurchased (value to be repurchased as at 31 December 2022: € 79 million).

#### Future commitments

De Volksbank concluded some large long-term IT support contracts in the amount of € 48 million (2022: € 37 million).

### Maturity calendar future IT commitments

| in € millions                     | 2023      | 2022      |
|-----------------------------------|-----------|-----------|
| To be received within < 1 year    | 13        | 11        |
| To be received within 1 - 5 years | 35        | 26        |
| To be received after 5 years      | --        | --        |
| <b>Total</b>                      | <b>48</b> | <b>37</b> |

## Contingent liabilities

### Customer integrity

DNB conducted a supervisory review on customer integrity at de Volksbank in 2022 and identified several shortcomings. DNB concluded among other things that de Volksbank did not sufficiently identify and assess its ALM/CFT risks. Also, the results of the identification and assessment of its integrity risks were not up to date according to DNB. In addition, de Volksbank takes insufficient account of the risk factors related to the type of customer, product, service, transaction and delivery channel and to countries or geographic areas. In 2023, DNB concluded that de Volksbank violates the Dutch Anti-money laundering and anti-terrorist financing Act (Wwft), and thus imposed an instruction to remediate the Systematic Integrity Risk Analysis (SIRA). De Volksbank has formed a provision of € 2 million for the incremental costs to be incurred for the remediation activities related to SIRA. For more information on this provision reference is made to note [16 Provisions](#).

DNB expects that all identified shortcomings will be permanently and structurally remediated and captured in a comprehensive remediation plan. As combating financial crime has our highest priority, we have substantially scaled up our efforts to remedy the identified shortcomings. Remediation activities to tackle all shortcomings and expectations will continue to be carried out in the course of 2024 and following years. Some of the remediation activities will be carried out with the help of external parties. In the period ahead, de Volksbank will further concretise this comprehensive remediation plan. The costs associated with the remediation are currently being assessed and translated into a multi-year budget.

As from 31 December 2023, following ongoing communication with DNB, a legal obligation exists to remediate Wwft non-compliance together with the SIRA. However, no provision was recognised in this respect, as at this stage the remediation activities are being further concretised and no reliable estimate of the related significant additional multi-year investments can be made. For the same reason disclosing the financial effect of the contingent liability is not practicable. After finalisation of the remediation plan within the timelines as agreed with DNB, and further progress on necessary remediation activities, it could be that a reliable estimate of related



incremental costs may become possible which could lead to the recognition of a provision.

DNB is closely monitoring the progress in the aforementioned areas and, depending on the progress of the remediation, may decide to proceed with additional measures, that may have a financial impact.

Following the outcome of the supervisory review by DNB on customer integrity at de Volksbank, DNB announced its intention to start an internal procedure to impose an administrative fine. De Volksbank has no knowledge of the outcome of the procedure so far. To the knowledge of de Volksbank, this procedure has not yet formally started nor has there been any further communication with de Volksbank in this regard. Therefore de Volksbank does not have a present obligation with regard to a fine.

### Legal proceedings

De Volksbank and its subsidiaries are and may from time to time become involved in legal regulatory and/or arbitration proceedings that relate to claims by and against the bank, ensuing from its normal business operations. In presenting the Consolidated Financial Statements, management estimates the outcome of these proceedings and takes provisions when it is considered that there is a present obligation, when it is probable that a cash outflow is required and when the amount can be estimated with sufficient reliability. The most important proceedings are described below. For the legal proceedings described below there is a possible obligation for which it is not considered probable that there will be a cash outflow. As such these matters are regarded as contingencies.

#### Madoff

In 2010, liquidators of three Madoff-feeder funds (the "Feeder Funds") initiated legal proceedings in New York against, amongst others, the custody entity of de Volksbank, SNS Global Custody, and its clients as former beneficial owners of investments in these funds. They claim repayment of payments made by the Feeder Funds for redemptions of investments by these beneficial owners. A similar proceeding was initiated by the liquidators against SNS Global Custody and other defendants in the British Virgin Islands (BVI), which proceedings have ended in favour of de Volksbank. In line with these lawsuits, Bernard Madoff's trustee has also initiated proceedings in New York against, amongst others, de Volksbank and SNS Global Custody.

The status of the aforementioned New York proceedings, in which many financial institutions worldwide are sued in similar proceedings, is as follows:

- **Fairfield Funds.** In April 2019, the New York bankruptcy court dismissed all claims brought by the Fairfield Funds liquidators against SNS Global Custody except for claims under the BVI Insolvency Act. The Fairfield Funds liquidators have appealed that ruling to the New York district court (appeal 1). In the meantime, the Fairfield

Funds liquidators filed an amended complaint against SNS Global Custody in the New York bankruptcy court with respect to their BVI Insolvency Act claims. On 14 December 2020 the New York bankruptcy court issued a decision in favour of SNS Global Custody. Fairfield Funds liquidators have appealed to the district court against the bankruptcy court's decision (appeal 2). On 24 August 2020, the district court affirmed the bankruptcy court's dismissal of the Liquidators' claims in both appeals for the district court. The Liquidators have appealed to this decision to the United States Court of Appeals for the Second Circuit.

- **Madoff Trustee.** In November 2016, the New York bankruptcy court issued a decision on preliminary issues that resulted in the dismissal of all claims asserted by the Madoff trustee against de Volksbank and SNS Global Custody. The Madoff trustee appealed this decision to the Second Circuit Court of Appeals, overturning the bankruptcy court's decision in February 2019. The case has been referred back to the bankruptcy court for further proceedings starting with a discovery phase.

De Volksbank defends itself in each of these proceedings. In view of the complexity of the Madoff cases and the various procedural possibilities that are still open or in the initial phase, it is not possible at this moment to make a reliable assessment as to whether de Volksbank is ultimately obliged to actually pay any amounts. Hence, it is not possible to estimate the total amount of de Volksbank's potential liability, if any.

#### Proceedings following the nationalisation

##### General

Various former holders of the securities and capital components expropriated in 2013 have initiated legal proceedings to seek compensation for damages. At the time the financial statements were drawn up, no court proceedings had (yet) been initiated against de Volksbank other than those stated below. It is currently not possible to make an estimate of the probability that possible legal proceedings of former holders or other parties affected by the nationalisation may result in a liability, or the level of the financial impact on de Volksbank. For this reason, at year-end 2023 no provisions were made in respect of possible legal actions by former holders and other affected parties.

As the outcomes of possible legal proceedings cannot be predicted with any certainty, it cannot be ruled out that a negative outcome may have a material negative financial impact on de Volksbank's capital position, results and/or cashflows.

##### Inquiry proceedings by the Dutch Investors' Association

In November 2014, the Dutch Investors' Association (*Vereniging van Effectenbezitters; 'VEB'*) and other investors filed a petition with the Enterprise Chamber of the Amsterdam Court of Appeal (the Enterprise Chamber) for an inquiry into the management of SNS REAAL, currently SRH, SNS Bank, currently de Volksbank, and former SNS Property Finance, currently Propertize.

The Enterprise Chamber ordered an inquiry into the management and course of events at SRH and de Volksbank for the period from 1 July 2006 until 1 February 2013 and have appointed investigators. On 30 November 2022, the Enterprise Chamber ruled that no mismanagement (*wanbeleid*) had been found with regard to SRH and de Volksbank. The VEB's claims have all been rejected, although the Enterprise Chamber did rule that errors were made in some areas. None of the parties lodged an appeal in cassation, as a result of which the decision of the Enterprise Chamber has force of judgement. The VEB announced by letter that they intent to initiate mass claim proceedings. As a precondition for starting mass claim proceedings, meetings for an amicable solution are taking place. Negotiations for an amicable solution are still ongoing. The amount of the potential mass claim proceedings is unclear.

#### Guarantees pursuant to section 2:403, Volume 2 of the Dutch Civil Code for Propertize et al.

In the context of the transfer of Propertize et al., SRH and de Volksbank have withdrawn the 403 Guarantees issued for Propertize et al. in the past. This withdrawal has become irrevocable for all creditors, with the exception of Commerz Real Investment Gesellschaft GmbH (CRI). CRI raised an objection to the withdrawal of the 403 Guarantees. This objection was declared well-founded up to the highest instance in a Supreme Court decision of 31 March 2017. In September 2020, CRI started proceedings against (i.a.) Propertize with regard to a defect air control system and estimated the claim in the first instance at € 250,000, but asked the court to assess the damages. The parties in these proceedings concluded a settlement agreement in which (i.a.) final discharge was granted to de Volksbank and SRH.

#### Other proceedings relevant to de Volksbank

When SNS REAAL and SNS Bank were nationalised, the Minister of Finance set the value of expropriated assets and securities at € 0. Expropriated holders started proceedings against the Minister of Finance. De Volksbank was not a party in these proceedings. On 21 April 2023, by way of final decision the Supreme Court confirmed the Enterprise Chamber's decision in which compensation was awarded for some of the expropriated securities and other assets of SNS REAAL and SNS Bank in the amount of € 805,000,000, to be increased by legal interest and to be paid by the Ministry of Finance. Shareholders will not receive any compensation. As de Volksbank was not a party in these proceedings, de Volksbank doesn't have any obligation or contingent liability as a result of the aforementioned final decision. The outcome of these proceedings might affect possible mass claim proceedings which may probably follow from Inquiry proceedings as described above, because if holders of expropriated documents already received compensation from the Minister of Finance, it cannot be recovered from SRH and de Volksbank.

## 21. Specific disclosures of financial instruments

### Accounting policy for fair value financial instruments

The fair value of financial assets and liabilities is determined on the basis of quoted prices where available. Such quoted prices are primarily derived from transaction prices for listed instruments. If quoted prices are not available, market prices from independent market participants or other experts are used. De Volksbank applies an exit price when determining fair value, therefore financial assets are recognised at their bid prices and financial liabilities at their offer prices.

In markets where activity has decreased or in inactive markets, the range of prices from different sources can be significant for a certain financial instrument. Selecting the most appropriate price requires management judgement.

For certain financial assets and liabilities, no market price is available. The fair value of these financial assets and liabilities is determined using valuation techniques, which may vary from discounted cashflow calculation to valuation models that use generally accepted economic methodologies. Observable market information, where available, is used as input for the valuation models. All valuation methods used are assessed and approved in-house according to de Volksbank's governance procedures.

De Volksbank determines the fair value hierarchy for all financial instruments at each reporting moment.

### Notes to the valuation of financial assets and liabilities

The following techniques and assumptions have been used to determine the fair value of financial instruments.

#### Investments

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

#### Loans and advances to customers

The fair value of mortgages is determined on the basis of a present value method. The yield curve used to determine the present value of expected cashflows of

mortgage loans is the average of the five lowest mortgage rates in the market, adjusted for interest rates that are considered not to be representative ('teaser rates'). These rates may differ for each sub-portfolio due to differences in maturity, Loan-to-Value class and form of repayment. In determining the expected cashflows, any expected future early redemptions are taken into account.

The fair value of other loans and advances to customers has been determined by the present value of the expected future cashflows. Various surcharges on the yield curve were used for the calculation of the present value. In this respect, a distinction was made by type of loan and customer group to which the loan relates.

#### Derivatives

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

#### Loans and advances to banks

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

#### Other assets

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

#### Cash and balances at central banks

The book value of the cash and bank balances at central banks is considered to be a reasonable approximation of the fair value.

#### Subordinated debt

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

#### Debt certificates

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

#### Amounts due to customers

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

#### Amounts due to banks

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

#### Other liabilities

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

**Hierarchy in determining the fair value of financial instruments**

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

**More detailed explanation of the level classification**

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

**Level 1 - Fair value based on published stock prices in an active market**

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

**Level 2 - Fair value based on observable market data**

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

**Level 3 - Fair value not based on observable market data**

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

**Hierarchy of financial assets and liabilities as at 31 December 2023**

| in € millions   | Book value    | Level 1      | Level 2       | Level 3       | Total fair value |
|---|---------------|--------------|---------------|---------------|------------------|
| <b>Financial assets measured at fair value</b>          |               |              |               |               |                  |
| Derivatives   | 2,544         | --           | 2,541         | 3             | 2,544            |
| Investments - fair value through OCI                    | 3,279         | 3,276        | --            | 3             | 3,279            |
| Investments - fair value through P&L                    | 28            | 17           | --            | 11            | 28               |
| <b>Financial assets not measured at fair value</b>      |               |              |               |               |                  |
| Cash and balances at central banks                      | 5,891         | --           | --            | --            | 5,891            |
| Investments - amortised costs                           | 3,426         | 2,908        | 463           | 19            | 3,390            |
| Loans and advances to banks                             | 4,671         | --           | --            | --            | 4,671            |
| Loans and advances to customers                         | 50,847        | --           | --            | 47,115        | 47,115           |
| Other assets  | 283           | --           | --            | --            | 283              |
| <b>Total financial assets</b>                           | <b>70,969</b> | <b>6,201</b> | <b>3,004</b>  | <b>47,151</b> | <b>67,201</b>    |
| <b>Financial liabilities measured at fair value</b>     |               |              |               |               |                  |
| Derivatives   | 1,121         | --           | 1,118         | 3             | 1,121            |
| Amounts due to banks                                    | 100           | --           | 100           | --            | 100              |
| <b>Financial liabilities not measured at fair value</b> |               |              |               |               |                  |
| Savings   | 43,623        | --           | 41,270        | 2,317         | 43,587           |
| Other amounts due to customers                          | 11,287        | --           | 10,122        | 1,158         | 11,280           |
| Amounts due to banks                                    | 1,847         | --           | 1,847         | --            | 1,847            |
| Debt certificates                                       | 7,935         | --           | --            | 7,001         | 7,001            |
| Other liabilities                                       | 430           | --           | --            | --            | 430              |
| Subordinated debts                                      | 500           | 471          | --            | --            | 471              |
| <b>Total financial liabilities</b>                      | <b>66,843</b> | <b>471</b>   | <b>54,457</b> | <b>10,479</b> | <b>65,837</b>    |

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

### Hierarchy of financial assets and liabilities as at 31 December 2022

| in € millions   | Book value    | Level 1      | Level 2       | Level 3       | Total fair value |
|---|---------------|--------------|---------------|---------------|------------------|
| <b>Financial assets measured at fair value</b>          |               |              |               |               |                  |
| Derivatives   | 3,302         | --           | 3,293         | 9             | 3,302            |
| Investments - fair value through OCI                    | 2,806         | 2,803        | --            | 3             | 2,806            |
| Investments - fair value through P&L                    | 34            | 25           | --            | 9             | 34               |
| <b>Financial assets not measured at fair value</b>      |               |              |               |               |                  |
| Cash and balances at central banks                      | 8,011         | --           | --            | --            | 8,011            |
| Investments - amortised costs                           | 2,751         | 2,495        | 201           | 8             | 2,704            |
| Loans and advances to banks                             | 6,884         | --           | --            | --            | 6,884            |
| Loans and advances to customers                         | 48,966        | --           | --            | 44,386        | 44,386           |
| Other assets  | 249           | --           | --            | --            | 249              |
| <b>Total financial assets</b>                           | <b>73,003</b> | <b>5,323</b> | <b>3,494</b>  | <b>44,415</b> | <b>68,376</b>    |
| <b>Financial liabilities measured at fair value</b>     |               |              |               |               |                  |
| Derivatives   | 924           | --           | 915           | 9             | 924              |
| Amounts due to banks                                    | 232           | --           | 232           | --            | 232              |
| <b>Financial liabilities not measured at fair value</b> |               |              |               |               |                  |
| Savings   | 44,501        | --           | 42,054        | 2,277         | 44,331           |
| Other amounts due to customers                          | 12,649        | --           | 11,266        | 1,308         | 12,574           |
| Amounts due to banks                                    | 2,573         | --           | 2,573         | --            | 2,573            |
| Debt certificates                                       | 7,544         | --           | --            | 6,305         | 6,305            |
| Other liabilities                                       | 452           | --           | --            | --            | 452              |
| Subordinated debts                                      | 500           | 453          | --            | --            | 453              |
| <b>Total financial liabilities</b>                      | <b>69,375</b> | <b>453</b>   | <b>57,040</b> | <b>9,899</b>  | <b>67,844</b>    |

The fair values represent the amounts at which the financial instruments could have been sold or transferred at balance sheet date between market parties in an orderly transaction. The fair value of financial assets and liabilities is based on quoted market prices, where observable. If actively quoted market prices are not available, various valuation techniques have been used to measure the fair value of these instruments. Parameters used in such valuation techniques may be subjective and are based on various assumptions, for instance certain discount rates and the timing and size of expected future cashflows. The degree of subjectivity affects the fair value hierarchy, which is discussed in the beginning of the paragraph. Wherever possible and available, the valuation techniques make use of observable inputs in relevant markets. Changes in the assumptions can significantly influence the estimated fair

values. The main assumptions for each balance sheet item are explained in the section below.

### Change in level 3 financial instruments in 2023

| in € millions   | Fair value through P&L | Fair value through OCI | Derivatives assets | Derivatives liabilities |
|---|------------------------|------------------------|--------------------|-------------------------|
| Opening balance   | 9                      | 3                      | 9                  | 9                       |
| Purchases/advances  | --                     | --                     | --                 | --                      |
| Revaluations  | --                     | --                     | --                 | --                      |
| Unrealised gains or losses recognised in P&L <sup>1</sup> | 2                      | --                     | -6                 | -6                      |
| Change accrued interest                                   | --                     | --                     | --                 | --                      |
| Other movements   | --                     | --                     | --                 | --                      |
| Impairment  | --                     | --                     | --                 | --                      |
| <b>Closing balance</b>                                    | <b>11</b>              | <b>3</b>               | <b>3</b>           | <b>3</b>                |

<sup>1</sup> Included in the line item Result on financial instruments.

### Change in level 3 financial instruments in 2022

| in € millions   | Fair value through P&L | Fair value through OCI | Derivatives assets | Derivatives liabilities |
|---|------------------------|------------------------|--------------------|-------------------------|
| Opening balance   | 8                      | 5                      | 24                 | 24                      |
| Purchases/advances  | --                     | --                     | --                 | --                      |
| Revaluations  | 1                      | --                     | --                 | --                      |
| Unrealised gains or losses recognised in P&L <sup>1</sup> | --                     | --                     | -34                | -34                     |
| Change accrued interest                                   | --                     | --                     | -1                 | -1                      |
| Other movements   | --                     | --                     | 20                 | 20                      |
| Impairment  | --                     | -2                     | --                 | --                      |
| <b>Closing balance</b>                                    | <b>9</b>               | <b>3</b>               | <b>9</b>           | <b>9</b>                |

<sup>1</sup> Included in the line item Result on financial instruments.

## Breakdown of level 3 financial instruments

| in € millions            | 2023      | 2022      |
|--------------------------|-----------|-----------|
| Equity securities        | 14        | 12        |
| Derivatives              | 3         | 9         |
| <b>Total assets</b>      | <b>17</b> | <b>21</b> |
| Derivatives              | 3         | 9         |
| <b>Total liabilities</b> | <b>3</b>  | <b>9</b>  |

## 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 of non-market observable parameters financial instruments  
level 3 in 2023

|                    | Valuation technique | Main assumption  | Carrying value | Reasonably possible alternative assumptions | Increase in fair value | Decrease in fair value |
|--------------------|---------------------|------------------|----------------|---|------------------------|------------------------|
| in € millions      |                     |                  |                |   |                        |                        |
| <b>Assets</b>      |                     |                  |                |   |                        |                        |
| Derivatives        | Discounted cashflow | Discount curve   | 3              | -0,5% of +0,5%                              | 1                      | 1                      |
|                    |                     | Pre-payment rate | 3              | -1% of +1%                                  | --                     | --                     |
| <b>Liabilities</b> |                     |                  |                |   |                        |                        |
| Derivatives        | Discounted cashflow | Discount curve   | 3              | -0,5% of +0,5%                              | 1                      | 1                      |
|                    |                     | Pre-payment rate | 3              | -1% of +1%                                  | 1                      | 1                      |

Sensitivity of non-market observable parameters financial instruments  
level 3 in 2022

|                    | Valuation technique | Main assumption  | Carrying value | Reasonably possible alternative assumptions | Increase in fair value | Decrease in fair value |
|--------------------|---------------------|------------------|----------------|---|------------------------|------------------------|
| in € millions      |                     |                  |                |   |                        |                        |
| <b>Assets</b>      |                     |                  |                |   |                        |                        |
| Derivatives        | Discounted cashflow | Discount curve   | 9              | -0,5% of +0,5%                              | 1                      | 1                      |
|                    |                     | Pre-payment rate | 9              | -1% of +1%                                  | --                     | --                     |
| <b>Liabilities</b> |                     |                  |                |   |                        |                        |
| Derivatives        | Discounted cashflow | Discount curve   | 9              | -0,5% of +0,5%                              | 1                      | 1                      |
|                    |                     | Pre-payment rate | 9              | -1% of +1%                                  | 1                      | 1                      |

The derivatives on the liabilities side of the balance sheet include certain contracts in which fixed pre-payment rates have been agreed with the counterparty. Therefore, these contracts are not sensitive to adjustments. The main non-market observable parameters for determining the fair value of level 3 instruments are the applied estimate of early redemptions and the discount curve.

The level 3 derivatives relate to securitisation transactions. Here there is a relationship between the fair values. This is due to the fact that the derivatives of the SPVs (front swaps), which are part of the securitisation programme Pearl, are entered into back-to-back with the same counterparties (back swaps). As a result, the fair value changes of the front and back swaps are always comparable, but opposite.

## Transfers between categories

No significant movements occurred in 2022 and 2023.

22. Related parties  
Identity of related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. As a part of its ordinary business operations, de Volksbank maintains various forms of ordinary business relationships with related companies and parties. Related parties of de Volksbank are associated companies, joint ventures, SNS REAAL Pensioenfonds, *Stichting administratiekantoor beheer financiële instellingen* (NLFI), the Dutch State and senior executives and their close family members. Transactions with these related parties mainly concern day-to-day matters in the field of banking, taxation and other administration.

Transactions with related parties have been conducted under normal market terms and conditions, except where stated otherwise. In the transactions with related parties, best practices provisions 2.7.2, 2.7.3, 2.7.4, 2.7.5 and 2.7.6 of the Dutch Corporate Governance Code were complied.

## Positions and transactions with related parties

### Fiscal unity

De Volksbank N.V. forms a fiscal unity with some of its subsidiaries for corporate income tax and Value Added Tax (VAT) purposes. De Volksbank N.V. and its subsidiaries that are part of a fiscal unity are jointly and severally liable for corporate income tax liabilities and VAT obligations arising from the relevant fiscal unity. For more information on the current recoverable and payable corporate income tax, reference is made to Note 9 *Tax assets and liabilities* of the consolidated financial statements. Settlements of corporate income tax paid or received are executed by de Volksbank N.V.

### Other transactions

De Volksbank pays pension premiums for its employees to the SNS REAAL pension fund in the amount of € 41 million (2022: € 42 million).

## Positions and transactions with managers in key positions

De Volksbank's top management consists of the Executive Committee (ExCo). The ExCo consist of four statutory Executive Board members, under the Articles of Association (*'statutaire Directie'*), and three non-statutory Senior Executives (*'niet-statutair lid'*), of which at the end of 2023 there was one vacancy namely for a Senior Executive (CFCO).

During 2023 there were no changes in the Executive Board members. By mutual agreement, one Senior Executive resigned from her duties as from November 2023. At the end of 2023, six persons were regarded as managers in key positions (year-end 2022: 7 persons).

## Remuneration of managers in key positions

| in € thousands       | Statutory    |              | Non-statutory <sup>1</sup> |            | Total        |              |
|----------------------|--------------|--------------|----------------------------|------------|--------------|--------------|
|                      | 2023         | 2022         | 2023                       | 2022       | 2023         | 2022         |
| Fixed annual income  | 1,764        | 1,457        | 1,100                      | 516        | 2,864        | 1,973        |
| Pension contribution | 96           | 79           | 72                         | 36         | 168          | 115          |
| Severance payments   | --           | 315          | 129                        | --         | 129          | 315          |
| <b>Total</b>         | <b>1,860</b> | <b>1,851</b> | <b>1,301</b>               | <b>552</b> | <b>3,161</b> | <b>2,403</b> |

<sup>1</sup> Including the remuneration of former directors.

Fixed annual income includes all remuneration components paid by the employer with the exception of the pension contribution and severance payments presented separately in the table.

Pension contribution means the pension contribution paid by the employer, after deduction of the contribution paid by the employee. Extra payments to compensate for the loss of pension exceeding € 128,810 are included in the table under fixed annual income.

On 31 December 2023, no loans granted to managers in key positions were outstanding.

The remuneration of individual members of the Executive Committee and members of the Supervisory Board are explained in more detail in the tables in Section 3.4 *Remuneration report*.

## Subsidiaries of de Volksbank N.V.

### Overview of subsidiaries of de Volksbank N.V.

|  | Place of business | Proportion of ordinary shares |
|--|-------------------|-------------------------------|
| Ecosystemen B.V.                                   | Utrecht           | 100%                          |
| ASN Beleggingsinstellingen Beheer B.V.             | The Hague         | 100%                          |
| Stichting Administratiekantoor Bewaarbedrijven SNS | Utrecht           | 100%                          |
| SNS Global Custody B.V.                            | Utrecht           | 100%                          |
| Pettelaar Effectenbewaarbedrijf N.V.               | Utrecht           | 100%                          |
| ASN Duurzame Deelnemingen N.V.                     | Utrecht           | 100%                          |
| Fitrex B.V.  | Amsterdam         | 90%                           |

The above mentioned subsidiaries are consolidated in the consolidated financial statements of de Volksbank.

## Consolidated structured entities

According to IFRS standards, the structured entities over which de Volksbank can exercise control are consolidated. De Volksbank's activities involving structured entities are broken down into the following categories:

- Securitisation programme
- Covered bond programme

De Volksbank does not have a contractual obligation to provide financial support other than liquidity facilities to its consolidated structured entities. Neither of the consolidated structured entities have taken benefit of the liquidity facilities, nor has de Volksbank provided voluntary non-contractual financial support to the Loan Loss Provision (LLP) over the reported periods.

### Overview of consolidated structured entities

|   | Place<br>of business | Proportion of<br>ordinary shares |
|---|----------------------|----------------------------------|
| Pearl Mortgage Backed Securities 1 B.V.   | Amsterdam            | 0%                               |
| Lowland Mortgage Backed Securities 7 B.V. | Amsterdam            | 0%                               |
| Volks Covered Bond Company B.V.           | Amsterdam            | 0%                               |

For more information on the consolidated structured entities, see Note [14 Debt certificates](#).

## 23. Transferred and encumbered assets

### Accounting policy for transferred and encumbered assets

Transferred financial assets are transactions for which de Volksbank has:

- transferred the contractual rights to receive the cashflows of the financial asset to a third party or parties, or;
- retained the contractual rights to receive the cashflows of that financial asset, but assumes a contractual obligation to pay the cashflows to a third party or parties.

Depending on additional circumstances regarding the transfer of risks and rewards, the transfer of the cash flows may either result in the financial assets being derecognised or in financial assets that continue to be recognised on the balance sheet. If transferred financial assets continue to be recognised on the balance sheet, de Volksbank is still exposed to changes in the fair value of the assets.

Encumbered assets are assets that can be used as collateral for funding, for example mortgages used as collateral for covered bond programs, securitised assets and collateral for certain repurchase agreement (repo) transactions. In addition, the mandatory cash reserve is also included in encumbered assets. Assets that are committed to undrawn credit facilities are not regarded as encumbered, for example, securitisation notes held by the bank itself which qualify as eligible collateral for the European Central Bank.

The following table shows the transferred assets from which the contractual rights to receive a cashflow have been transferred. The transferred assets mainly consist of securitised mortgages that have been transferred to a third party. The related liabilities are also presented in this table. The structured entities for the securitisations are consolidated. In all these cases the transfer of contractual rights to receive a cashflow did not result in the transfer of risks and rewards. Therefore, the assets continue to be recognised on the consolidated balance sheet.



## Transferred assets

| in € millions  | Securitisations |            | Repurchase transactions |            |
|--|-----------------|------------|-------------------------|------------|
|  | 2023            | 2022       | 2023                    | 2022       |
| <b>Transferred assets</b>                            |                 |            |                         |            |
| Debt securities                                      | --              | --         | 100                     | 225        |
| Loans and advances                                   | 278             | 329        | --                      | 7          |
| <b>Total transferred assets as per year-end</b>      | <b>278</b>      | <b>329</b> | <b>100</b>              | <b>232</b> |
| Amounts due to banks                                 | --              | --         | 100                     | 232        |
| Debt certificates                                    | 230             | 278        | --                      | --         |
| - Issued under securitisation programme Pearl        | 230             | 278        | --                      | --         |
| <b>Total transferred liabilities as per year-end</b> | <b>230</b>      | <b>278</b> | <b>100</b>              | <b>232</b> |

For more information, see Note 14 Debt certificates - Medium Term Notes and 14 Debt certificates - Securitisation programmes of the consolidated financial statements.

## Encumbered assets as at 31 December 2023

| in € millions                   | Covered bonds and securitisations | Derivatives | Repurchase agreements | Other              | Central banks    | Total 2023   |
|---------------------------------|-----------------------------------|-------------|-----------------------|--------------------|------------------|--------------|
| Cash and cash equivalents       | --                                | --          | --                    | 5                  | --               | 5            |
| Investments - debt securities   | --                                | 343         | 100                   | 128                | --               | 571          |
| Loans and advances to banks     | --                                | 585         | --                    | --                 | 512 <sup>1</sup> | 1,097        |
| Loans and advances to customers | 5,044                             | --          | --                    | 1,671 <sup>2</sup> | --               | 6,715        |
| <b>Total encumbered assets</b>  | <b>5,044</b>                      | <b>928</b>  | <b>100</b>            | <b>1,804</b>       | <b>512</b>       | <b>8,388</b> |

<sup>1</sup> Consists of the mandatory cash reserve at DNB.

<sup>2</sup> Pledged to savings premiums received in savings mortgage arrangement for € 1,169 million (2022: € 1,202 million).

## Encumbered assets as at 31 December 2022

| in € millions                   | Covered bonds and securitisations | Derivatives  | Repurchase agreements | Other              | Central banks    | Total 2022   |
|---------------------------------|-----------------------------------|--------------|-----------------------|--------------------|------------------|--------------|
| Cash and cash equivalents       | --                                | --           | --                    | 8                  | -                | 8            |
| Investments - debt securities   | --                                | 396          | 232                   | 125                | --               | 753          |
| Loans and advances to banks     | --                                | 700          | --                    | --                 | 528 <sup>1</sup> | 1,228        |
| Loans and advances to customers | 5,232                             | --           | --                    | 1,710 <sup>2</sup> | -                | 6,942        |
| <b>Total encumbered assets</b>  | <b>5,232</b>                      | <b>1,096</b> | <b>232</b>            | <b>1,843</b>       | <b>528</b>       | <b>8,931</b> |

<sup>1</sup> Consists of the mandatory cash reserve at DNB.

<sup>2</sup> Pledged to savings premiums received in savings mortgage arrangement for € 1,169 million (2022: € 1,202 million).

The encumbered assets consist of the assets lodged as collateral and the mandatory cash reserve at DNB. The encumbered assets are shown at book value at the end of the year. On the balance sheet date, there were no significant restrictions accompanying financial assets from non-controlling interests' proportionate share.

## 24. Post balance sheet events

There were no material post balance sheet events that required disclosure or adjustment to the 31 December 2023 financial statements.

## 25. Net interest income

### Accounting policy for net interest income

#### Interest income

Interest income comprises interest income on financial assets that is attributable to the period. Interest on financial assets is almost completely accounted for using the effective interest method. A limited part of the interest income relates to financial assets, mainly derivatives in a hedge relationship and trading positions, measured at fair value through profit or loss and is recognised based on nominal interest rates.

The effective interest method is based on the estimated future cash flows, taking into account the risk of early redemption of the financial instruments and the direct costs and income, such as the transaction costs charged, brokerage fees and discounts or premiums. If the risk of early redemption cannot be reliably determined, de Volksbank calculates the cash flows over the full contractual term of the financial instruments.

Commitment fees, together with the related direct costs, are included in the net interest income and accounted for using the effective interest method.

For credit-impaired assets valued at amortised cost, i.e. less any impairment losses, interest income consists of the time value of money.

#### Interest expenses

Interest expenses comprise interest expenses arising from financial liabilities. Interest expenses on financial liabilities that are valued at amortised cost are accounted for using the effective interest method, whereas interest expenses on financial liabilities that are classified at fair value through profit or loss are accounted for based on nominal interest rates.

### Net interest income

| in € millions              | 2023         | 2022       |
|----------------------------|--------------|------------|
| Interest income            | 2,037        | 1,128      |
| Interest expenses          | 734          | 277        |
| <b>Net interest income</b> | <b>1,303</b> | <b>851</b> |

Net interest income increased by € 452 million to € 1,303 million (+53%), and the net interest margin rose to 1.80% (2022: 1.15%). Both increases were mainly due to the more favourable interest rate environment as from the second half of 2022. As a result, net interest income was supported by a strong increase in margins on retail deposits, comprising savings and current account balances. Total retail deposits decreased by € 2.3 billion to € 54.3 billion as at 31 December 2023. Retail savings, SME savings and current account balances all declined, driven by the changed interest rate environment, which triggered a repricing of deposit rates in the Dutch banking market. Furthermore, retail deposits went down because we stopped selling certain savings products and due to the effect of basic banking.

The margin on residential mortgages remained virtually stable in a competitive domestic market. The residential mortgage portfolio, excluding IFRS value adjustments<sup>1</sup>, increased to € 49.2 billion (year-end 2022: € 48.3 billion). Compensation received for loss of interest income due to mortgage prepayments declined to € 25 million compared to € 70 million in 2022, as mortgage rates rose significantly and the mortgage refinancing market contracted. Treasury-related interest income decreased due to a shift to other results on financial instruments, an item that is part of other income.

At year-end 2022 the interest income on impaired assets (stage 3) was equal to € 13 million (2022: € 11 million).

### Interest income

| in € millions                         | 2023                  |                 |                       | 2022                  |                 |                       |
|---------------------------------------|-----------------------|-----------------|-----------------------|-----------------------|-----------------|-----------------------|
|                                       | Gross interest income | Hedging results | Total interest income | Gross interest income | Hedging results | Total interest income |
| Residential mortgages                 | 1,181                 | 174             | 1,355                 | 1,057                 | -113            | 944                   |
| Cash and balances at central banks    | 258                   | --              | 258                   | --                    | --              | --                    |
| Other loans and advances to customers | 125                   | -1              | 124                   | 59                    | --              | 59                    |
| Loans and advances to banks           | 139                   | --              | 139                   | 80                    | --              | 80                    |
| Investments                           | 73                    | 86              | 159                   | 40                    | -26             | 14                    |
| Negative interest on liabilities      | --                    | --              | --                    | 29                    | --              | 29                    |
| Other                                 | 2                     | --              | 2                     | 2                     | --              | 2                     |
| <b>Total</b>                          | <b>1,778</b>          | <b>259</b>      | <b>2,037</b>          | <b>1,267</b>          | <b>-139</b>     | <b>1,128</b>          |

<sup>1</sup> Consisting of fair value adjustments from hedge accounting and amortisations.

In 2022, the net interest income on loans and advances to banks included an amount of € 3.8 million related to de Volksbank's participation in the targeted longer-term refinancing operations III (TLTRO III) programme. In 2023, this was nil because de Volksbank made use of this voluntary repayment option and repaid the TLTRO III funding in full in the second quarter of 2022.

## Interest expenses

| in € millions               | 2023                    |                 |                         | 2022                    |                 |                         |
|-----------------------------|-------------------------|-----------------|-------------------------|-------------------------|-----------------|-------------------------|
|                             | Gross interest expenses | Hedging results | Total interest expenses | Gross interest expenses | Hedging results | Total interest expenses |
| Debt certificates           | 118                     | -1              | 117                     | 67                      | -6              | 61                      |
| Subordinated debt           | 9                       | --              | 9                       | 9                       | --              | 9                       |
| Amounts due to customers    | 486                     | -2              | 484                     | 160                     | -10             | 150                     |
| Amounts due to banks        | 124                     | --              | 124                     | 17                      | --              | 17                      |
| Negative interest on assets | --                      | --              | --                      | 39                      | --              | 39                      |
| Other                       | --                      | --              | --                      | 1                       | --              | 1                       |
| <b>Total</b>                | <b>737</b>              | <b>-3</b>       | <b>734</b>              | <b>293</b>              | <b>-16</b>      | <b>277</b>              |

## 26. Net fee and commission income

### Accounting policy for net fee and commission income

Fee and commission income consists of income from securities transactions of customers, asset management, payment services and other related services offered by de Volksbank.

Fee and commission income is recognised at an amount that reflects the consideration to which the bank expects to be entitled in exchange for providing the services. At inception of the contract, the performance obligations, including the timing of satisfaction, are identified and determined. Fee and commission income is invoiced and immediately due upon satisfaction of the service provided at a point in time or invoiced at the end of the contract period for services provided over time. Fee and commission income is recognised in the reporting period in which the services are rendered.

Commission expenses and management fees are accounted for as 'fee and commission expenses' to the extent services are acquired in the reporting period.

## Net fee and commission income

| in € millions                            | 2023       | 2022       |
|--|------------|------------|
| <b>Fee and commission income</b>         |            |            |
| Money transfer and payment charges       | 75         | 58         |
| Advice and agency activities             | 26         | 24         |
| Management fees                          | 51         | 52         |
| Insurance agency activities              | 18         | 19         |
| Other activities                         | 1          | 1          |
| <b>Total fee and commission income</b>   | <b>171</b> | <b>154</b> |
| <b>Fee and commission expenses</b>       |            |            |
| Money transfer and payment charges       | 14         | 11         |
| Advice and agency activities             | 2          | 2          |
| Management fees                          | 20         | 20         |
| Insurance agency activities              | 1          | 1          |
| Fee franchise                            | 70         | 69         |
| <b>Total fee and commission expenses</b> | <b>107</b> | <b>103</b> |
| <b>Total</b>                             | <b>64</b>  | <b>51</b>  |

Gross fee and commission income rose by € 17 million to € 171 million (+11%), while total fee and commission expenses increased by € 4 million to € 107 million (+4%). On balance, net fee and commission income rose by € 13 million to € 64 million (+25%), mainly due to higher fees for basic banking services. In addition, gross fee income was up as customer due diligence-related costs were partially passed on to SME customers as from the fourth quarter of 2022. Management fees were slightly below the level of 2022 as a result of lower average assets under management. However, at year-end 2023 assets, under management ended up at € 4.2 billion, an increase of € 0.3 billion year-on-year that was driven by higher stock markets.

## 27. Investment income

### Accounting policy for investment income

Investment income consists of dividend income and unrealised and realised gains or losses for debt- and equity securities.

### Dividend income

Dividend income is recognised in the income statement when entitlement is established. For listed securities, this is the date on which these securities are quoted ex-dividend.

### Unrealised and realised gains or losses

This includes the unrealised and realised gains or losses for investments in the following categories:

- Amortised cost (realised);
- Fair value through other comprehensive income (realised);
- Fair value through profit or loss (unrealised and realised).

Investments included in a fair value hedge accounting relationship are reported in Other result on financial instruments.

## Investment income

| in € millions                              | Realised gains<br>(losses) |           | Other result on<br>investments |          | Total      |           |
|--|----------------------------|-----------|--------------------------------|----------|------------|-----------|
|  | 2023                       | 2022      | 2023                           | 2022     | 2023       | 2022      |
| Debt securities - amortised cost           | --                         | 4         | --                             | --       | --         | 4         |
| Debt securities - fair value through OCI   | -56                        | -13       | --                             | --       | -56        | -13       |
| Equity securities - fair value through P&L | --                         | --        | 2                              | 1        | 2          | 1         |
| <b>Total</b>                               | <b>-56</b>                 | <b>-9</b> | <b>2</b>                       | <b>1</b> | <b>-54</b> | <b>-8</b> |

Investment income amounted to € 54 million negative, compared to € 8 million negative in 2022. In both years, investment income consisted entirely of realised results on fixed-income investments, sold as part of Asset & Liability Management and optimisation of the bank's investment portfolio. The loss in 2023 was mainly driven by the sale of bonds.

In 2022, there was a € 4 million positive result on the HTC portfolio because part of this portfolio was sold and the associated hedges were unwound, mainly caused by the increased credit risk at that time of some government bonds making them no

longer appropriate in the HTC investment mandate. In 2023, there were no realised amounts from the HTC portfolio.

## 28. Other results on financial instruments

### Accounting policy for other results on financial instruments

This line item includes revaluation results on derivatives and other financial instruments classified as fair value through profit and loss. Derivatives are recognised at fair value. The profit or loss from revaluation at fair value is immediately recognised in the profit and loss account in the item Other results on financial instruments. For derivatives that are designated as a hedging instrument, the recognition of a resulting revaluation gain or loss depends on the nature of the hedge relationship (reference is made to [Note 4 Hedging and hedge accounting](#)). Fair value movements in the hedged item attributable to hedged risk are also included in this line item as well as the ineffective portion of any gains or losses of hedge relations.

Furthermore, this line item includes realised results from buy backs of own debt certificates.

### Other results on financial instruments

| in € millions  | 2023       | 2022      |
|--|------------|-----------|
| Ineffectiveness fair value hedge accounting                              | 17         | 9         |
| Ineffectiveness cash flow hedge accounting                               | --         | --        |
| Non-trading derivatives: economic hedges - currency                      | 9          | -4        |
| Trading results derivatives, investments and other financial instruments | 75         | 67        |
| Result on buy back of debt instruments                                   | --         | -2        |
| <b>Total</b>   | <b>101</b> | <b>70</b> |

Other results on financial instruments increased by € 31 million to € 101 million mainly driven by a shift of treasury-related interest income to other results on financial instruments. This reflected activities to benefit from favourable FX swap interest rate differentials. These higher treasury results were largely offset by lower results on interest rate swaptions used for hedging purposes. Results in 2023 included a loss of € 8 million, while 2022 had included a € 46 million gain due to a sharp rise in interest rates combined with high market volatility.

## 29. Other operating income

### Accounting policy for other operating income

This comprises all other income that cannot be accounted for under the aforementioned line items of the income statement. Income is recognised at nominal value in the reporting period to which it relates.

Total other operating income in 2023 were nil (2022: € 1 million).

## 30. Staff costs

### Accounting policy for staff costs

These costs comprise all costs related to personnel. This includes salaries, social security costs, pension costs and other salary-related costs. Staff costs are recognised in the period in which the employees provide the services to which the payments relate. The accounting policies for employee benefits are included in [Note 16 Provisions](#).

### Staff costs

| in € millions     | 2023       | 2022       |
|-------------------|------------|------------|
| Salaries          | 232        | 202        |
| Pension costs     | 41         | 42         |
| Social security   | 37         | 30         |
| Other staff costs | 177        | 109        |
| <b>Total</b>      | <b>487</b> | <b>383</b> |

Staff costs went up as a result of an increase in total FTEs and wage inflation. Compared to year-end 2022, the total number of FTEs grew by 520 to 4,407, mainly reflecting initiatives in the domains of IT, compliance and risk. The number of internal FTEs increased by 326 to 3,449 and that of external FTEs by 194 to 958.

The pension rights of the employees of de Volksbank are included in the Defined Contribution Plan of the independent Stichting Pensioenfonds SNS REAAL. De Volksbank paid an employer's contribution for the accrual of new rights, that is linked to the target accrual of 1.875%. However, this contribution is capped at 24% of gross wages. A percentage of 21,82% of gross wages was paid in 2023 (2022: 24%). As

there is no commitment either enforceable by law or otherwise to pay additional contributions, pension benefits and related investments have not been included in the balance sheet. Employees paid an employee contribution of 4,76% (2022: 5%) of pensionable earnings after deduction of the contribution-free amount. This 4,76% was part of the 21,82% employer's contribution and is simultaneously paid to the fund. The existing administration agreement with Stichting Pensioenfonds SNS REAAL has been extended in 2022 by two years until 31 December 2024.

## FTEs

| FTEs                    | 2023  | 2022  |
|-------------------------|-------|-------|
| Number of internal FTEs | 3,449 | 3,123 |
| Number of external FTEs | 958   | 764   |
| Total number of FTEs    | 4,407 | 3,887 |

The variable remuneration for senior management was abolished in 2018 and no variable remuneration has been paid out since then.

## 31. Other operating expenses

### Accounting policy for other operating expenses

Costs are recognised at nominal value in the period in which services have been provided and to which the payments relate. The other operating expenses comprise costs for housing, information technology, marketing, consultancy and other operating costs and prudential costs.

## Specification other operating expenses

| in € millions                        | 2023       | 2022       |
|--------------------------------------|------------|------------|
| Housing costs                        | 5          | 5          |
| Information technology costs         | 82         | 66         |
| Marketing and public relations costs | 34         | 29         |
| Consultancy costs and audit fees     | 66         | 35         |
| Regulatory levies                    | 42         | 69         |
| Other costs                          | 69         | 46         |
| <b>Total</b>                         | <b>298</b> | <b>250</b> |

Other operating expenses, excluding regulatory levies, increased by € 75 million, mainly driven by higher IT and consultancy costs, reflecting investments in customer integrity, banking regulations and the IT foundation. In addition, other operating expenses included a provision of € 2 million related to the improvement of our Systematic Integrity Risk Analysis (SIRA).

### Swiss cantonal banks

In 2021, de Volksbank reassessed its capital treatment policy for exposures to Swiss Cantons and the Swiss cantonal banks guaranteed by Swiss Cantons. As a result of this reassessment, the risk weight of these assets was adjusted from 0% to 20% as at 31 December 2021. On 14 March 2023, the ECB sent a statement of objections concerning a suspected breach of capital requirements, i.e. the previously applied risk weight of 0%. On 20 July 2023, the ECB, by decision, imposed an administrative penalty on de Volksbank of € 4.5 million. This amount is recorded as Other operating expenses and is not tax deductible. This decision and the imposed administrative penalty are in line with the previously received statement of objections.

Driven by higher (adjusted) expenses, the adjusted cost/assets ratio increased to 106 bps, compared to 83 bps in 2022.

## Regulatory levies

| in € millions            | 2023      | 2022      |
|--------------------------|-----------|-----------|
| Deposit Guarantee Scheme | 32        | 55        |
| Single Resolution Fund   | 10        | 14        |
| Bank tax                 | --        | --        |
| <b>Total</b>             | <b>42</b> | <b>69</b> |

The European Deposit Guarantee Scheme Directive was implemented in Dutch legislation on 26 November 2015. This directive establishes common standards across the EU and aims to strengthen the protection of depositors. It ensures that depositors will continue to benefit from a guaranteed coverage up to € 100,000 in case of bankruptcy. This will be backed by funds that will be collected from the banking sector. A significant component of the rules is a pre-funded Deposit Guarantee Scheme (DGS). In the DGS, banks pay quarterly contributions into a Deposit Guarantee Fund (DGF). The level of the contribution paid by de Volksbank depends on the amount of guaranteed deposits at de Volksbank and the risk profile, partly in relation to the other banks that are part of the scheme. The target size of the DGF is equal to 0.8% of the total guaranteed deposits of the banks collectively, a target that has to be reached by 2024.

In 2023, de Volksbank paid € 32 million to the DGS (2022: € 55 million). The lower DGS

contribution was mainly driven by a refinement of the calculation basis, including a partial reversal of last year's contribution.

In order to finance an orderly winding up of failing banks, a National Resolution Funds (NRF) was established in 2015, which is ex-ante financed by contributions raised from the banks. The NRF was replaced by the Single Resolution Fund (SRF) as from 2016. The SRF builds up over eight years, reaching a target level of at least 1% of the amount of covered deposits of all credit institutions of all the participating member states.

In 2023, de Volksbank contributed € 10 million to the NFR (2022: € 14 million). We record our contributions to the SFR as an expense under Other operating expenses and we do not use the option to meet these contributions as irrevocable payment obligations.

## Audit fees

### Breakdown of audit fees

| in € thousands, excluding applicable VAT   | EY Accountants |              |
|--|----------------|--------------|
|  | 2023           | 2022         |
| Statutory audit of annual accounts, including the audit of the financial statements and other statutory audits of subsidiaries and other consolidated entities | 2,477          | 2,392        |
| Other assurance services   | 1,403          | 1,619        |
| Tax advisory services  | --             | --           |
| Other non-audit services   | --             | --           |
| <b>Total</b>   | <b>3,880</b>   | <b>4,011</b> |

Audit fees relate to the financial year to which the financial statements pertain, regardless of whether the external auditor and the audit firm performed the work during the financial year.

In addition to the statutory audit and the performance of other statutory audits, the auditor also provides a number of other assurance services. These other assurance services consist of the review of interim financial information, the assessment of non-financial information as included in the integrated annual report, internal control (ISAE 3402) reports and activities related to the separation of assets, cost price model, prospectuses and bond issues. Furthermore, these activities include reporting activities to the regulatory authority and securitisations and the covered bond programme in relation to mortgage pools within the context of outsourcing.

## 32. Impairment charges (reversals) of financial assets

### Accounting policy for impairment charges (reversals) of financial assets

Financial assets measured at amortised cost and fair value through OCI, including loan commitments and financial guarantee contracts (off-balance sheet positions) are subject to impairments. An impairment is recognised in the income statement. The accounting principles for impairment are explained in more detail in the accounting principles of the balance sheet items that are subject to impairments. For more information about the stage allocation process and associated provisioning methodology, please refer to Section 4.4.4 [Provisioning methodology](#).

### Impairment charges (reversals) of financial assets by portfolio

| in € millions  | 2023      | 2022      |
|--|-----------|-----------|
| Investments  | --        | 8         |
| Loans and advances to banks                          | -2        | 5         |
| Loans and advances to customers                      | 16        | 39        |
| <i>Of which residential mortgages</i>                | 9         | 17        |
| <i>Of which consumer loans</i>                       | -2        | -3        |
| <i>Of which SME loans</i>                            | -1        | 2         |
| <i>Of which other corporate and government loans</i> | 10        | 23        |
| Other  | 1         | --        |
| <b>Total impairment charges of financial assets</b>  | <b>15</b> | <b>52</b> |

Total impairment charges of financial assets amounted to € 15 million, compared to € 52 million in 2022. For a more detailed description of the impairments based on the Expected Credit Loss model in line with IFRS 9, see Section 4.4 Credit risk.

### Residential mortgages

Impairment charges on residential mortgages decreased to € 9 million, compared to € 17 million in 2022. In both years, the modelled provision increased but the increase in 2022 was substantially higher due a deteriorated macroeconomic outlook at that time. In addition, 2022 impairment charges included a charge related to model improvements and a scope extension for high-risk interest-only mortgages. In 2023, there was a (smaller) increase in the modelled provision, which also includes an effect of € 11 million related to prior year. In addition, the provision increased as a result of lower house prices, which led to a shift of mortgages to higher LtV buckets.

The lower increase in the 2023 modelled provision was partly offset by a swing in the management overlay; there was a small increase in the management overlay as a result of the inclusion of a newly introduced overlay for the de-risking of the interest-only mortgage portfolio, partly offset by a partial release of the overlay to account for the risk of high inflation affecting our customers' ability to repay their loans. In 2022, the management overlay decreased as a result of the release of a Covid-19-related overlay and the release of a general overlay that was introduced to absorb a decrease in house prices. Incurred credit losses on residential mortgages were negligible (zero bps) in both years, evidencing the strong underlying credit quality of our portfolio.

#### Consumer loans

Impairment charges on consumer loans consisted of a reversal of € 2 million, compared to a reversal of € 3 million in 2022.

#### SME loans

Impairment charges on SME loans consisted of a reversal of € 1 million, compared to a charge of € 2 million in 2022. The credit quality of the SME loan portfolio remained sound and incurred credit losses were at a very low level.

#### Other corporate and government loans

Impairments charges on other corporate and government loans declined by € 13 million to € 10 million, in both years consisting of impairments on a few individual corporate loans as a result of increased credit risk.

#### Loans to banks

Impairment charges on loans to banks consisted of a reversal of € 2 million (2022: € 5 million charge). In 2023, credit spreads decreased, while the year 2022 saw an increase.

#### Investments

Impairment charges on investments were nil. In 2022, increased credit spreads on our fixed-income portfolio had resulted in a charge of € 8 million.

## 33. Taxation

### Accounting policy for taxation

Income tax consists of current and deferred tax. Income tax is recognised in the income statement in the period in which profits arise and measured using tax rates enacted at the balance sheet date.

### Specification of taxation

| in € millions                   | 2023       | 2022      |
|---------------------------------|------------|-----------|
| In financial year               | 160        | 66        |
| Prior year adjustments          | 1          | --        |
| <b>Corporate income tax due</b> | <b>161</b> | <b>66</b> |
| Due to temporary differences    | -1         | 1         |
| <b>Deferred tax</b>             | <b>-1</b>  | <b>1</b>  |
| <b>Total</b>                    | <b>160</b> | <b>67</b> |

### Reconciliation between the statutory and effective tax rate

| in € millions  | 2023       | 2022      |
|--|------------|-----------|
| Statutory income tax rate                                | 25.8%      | 25.8%     |
| Result before taxation                                   | 591        | 258       |
| <b>Statutory corporate income tax amount</b>             | <b>152</b> | <b>67</b> |
| Exemptions   | 11         | 3         |
| Prior year adjustments (including tax provision release) | 1          | --        |
| Permanent differences                                    | -4         | -3        |
| <b>Total</b>   | <b>160</b> | <b>67</b> |
| Effective tax rate                                       | 27.1%      | 26.0%     |

De Volksbank recognised € 160 million (2022: € 67 million) in corporate income tax. The effective tax rate of 27.1% (2022: 26.0%) is higher than the statutory tax rate of 25.8%. The higher effective tax rate is mainly the result of the interest deduction limitation on borrowed capital (thin cap rule), an administrative penalty partly offset by the tax impact from interest expenses related to AT1 capital securities, which are directly recognised in shareholders' equity.



## Country-by-country reporting

On the basis of Article 89 (1) of CRD IV, financial institutions are required to disclose the Member States and third countries in which they operate. De Volksbank is not active abroad and does not have any subsidiaries abroad. All its activities take place in the Netherlands. For more information on the subsidiaries and consolidated structured entities of de Volksbank, see Note [22 Related parties](#).

| Name   | De Volksbank       |       |
|--|--------------------|-------|
| Nature of activities   | Credit institution |       |
| Geographical location  | The Netherlands    |       |
| in € millions  | <b>2023</b>        | 2022  |
| Turnover   | 1,414              | 965   |
| Revenues from third-party sales                                    | 1                  | 1     |
| Revenues from intra-group transactions with other tax jurisdiction | N/A                | N/A   |
| Number of FTEs on a full-time basis                                | 4,407              | 3,887 |
| Tangible assets other than cash and cash equivalents               | 72                 | 79    |
| Profit before taxation   | 591                | 258   |
| Corporate income tax on profit                                     | 160                | 67    |
| Corporate income tax on profit paid on a cash basis                | 54                 | 44    |
| Payroll tax and social security contributions                      | 111                | 103   |
| Non-recoverable VAT  | 63                 | 47    |
| Bank tax   | --                 | --    |
| Dividend tax   | 14                 | 15    |
| Public subsidies received  | n.a.               | n.a.  |

## Authorisation of the consolidated annual financial statements

Utrecht, 7 March 2024

### Executive Board

Martijn Gribnau (Chair)  
Jeroen Dijst  
André Haag  
Marinka van der Meer

### Supervisory Board

Gerard van Olphen (Chair)  
Jos van Lange (Vice chair)  
Jeanine Helthuis  
Petra van Hoeken  
Aloys Kregting

## Company financial statements

### Company statement of financial position

| Before result appropriation and in € millions | Notes | 31-12-2023    | 31-12-2022    |
|---|-------|---------------|---------------|
| <b>Assets</b>                                 |       |               |               |
| Cash and balances at central banks            | 1     | 5,884         | 7,993         |
| Government paper eligible at the central bank | 2     | 846           | 968           |
| Loans and advances to banks                   | 3     | 4,671         | 6,884         |
| Loans and advances to customers               | 4     | 50,847        | 48,966        |
| Derivatives                                   | 5     | 2,541         | 3,292         |
| Debt securities                               | 6     | 5,872         | 4,610         |
| Equity securities                             | 7     | 12            | 10            |
| Subsidiaries                                  | 8     | 77            | 76            |
| Tangible assets                               | 9     | 72            | 78            |
| Other assets                                  | 10    | 474           | 663           |
| <b>Total assets</b>                           |       | <b>71,296</b> | <b>73,540</b> |
| <b>Equity and liabilities</b>                 |       |               |               |
| Amounts due to banks                          | 11    | 1,947         | 2,805         |
| Amounts due to customers                      | 12    | 54,910        | 57,150        |
| Debt certificates                             | 13    | 7,705         | 7,266         |
| Derivatives                                   | 5     | 1,121         | 924           |
| Other liabilities                             | 14    | 978           | 1,121         |
| Other provisions                              | 15    | 44            | 66            |
| Subordinated debts                            | 16    | 500           | 500           |
| <b>Total liabilities</b>                      |       | <b>67,205</b> | <b>69,832</b> |
| Share capital                                 | 17    | 381           | 381           |
| Share premium reserve                         | 17    | 3,537         | 3,537         |
| Cashflow hedge reserve                        | 17    | 15            | 17            |
| Fair value reserve                            | 17    | -81           | -146          |
| Other reserves                                | 17    | -490          | -570          |
| Net profit for the period                     | 17    | 431           | 191           |
| AT1 capital securities                        | 17    | 298           | 298           |
| <b>Total equity</b>                           |       | <b>4,091</b>  | <b>3,708</b>  |
| <b>Total equity and liabilities</b>           |       | <b>71,296</b> | <b>73,540</b> |
| Loan commitments given                        |       | 2,204         | 2,204         |
| Financial guarantees and other commitments    |       | 339           | 436           |

### Company income statement

| in € millions   | Notes | 2023         | 2022       |
|---|-------|--------------|------------|
| Interest income   | 22    | 2,052        | 1,128      |
| Interest expense  | 22    | 749          | 276        |
| <b>Net interest income</b>                                      |       | <b>1,303</b> | <b>852</b> |
| Investment income and result subsidiaries                       | 23    | -53          | 37         |
| Fee and commission income                                       | 24    | 126          | 108        |
| Fee and commission expenses                                     | 24    | 88           | 85         |
| <b>Net fee and commission income</b>                            |       | <b>38</b>    | <b>23</b>  |
| Other result on financial instruments                           | 25    | 107          | 36         |
| Other operating income  |       | --           | --         |
| <b>Total income</b>   |       | <b>1,395</b> | <b>948</b> |
| Salaries  | 26    | 444          | 349        |
| Social security   | 26    | 37           | 29         |
| <b>Staff costs</b>  |       | <b>481</b>   | <b>378</b> |
| Depreciation and amortisation of tangible and intangible assets | 9     | 22           | 21         |
| Other operating expenses  | 27    | 289          | 243        |
| Impairment charges of financial assets                          | 28    | 15           | 52         |
| <b>Total expenses</b>   |       | <b>807</b>   | <b>694</b> |
| <b>Result before taxation</b>                                   |       | <b>588</b>   | <b>254</b> |
| Taxation  | 29    | 157          | 63         |
| <b>Net result for the period</b>                                |       | <b>431</b>   | <b>191</b> |

## Principles for the preparation of the company financial statements

When preparing the company financial statements, de Volksbank N.V. makes use of the option offered in Book 2, Section 362 (8) of the Dutch Civil Code of applying the same principles for valuation and the determination of the results as are used in the consolidated financial statements for the company financial statements. Reference is made to the accounting principles for the consolidated financial statements. The presentation and notes in the company financial statements are based on Title 9, Book 2 of the Dutch Civil Code.

For additional information on items not explained further in the notes to the company statement of financial position, reference is made to the notes to the consolidated financial statements.

The overview as referred to in Book 2, Sections 379 and 414 of the Dutch Civil Code has been filed with the Trade Register of the Chamber of Commerce of Utrecht.

De Volksbank N.V. is as a public interest entity in accordance with Book 2, Section 398 (7) of the Dutch Civil Code. The company financial statements fully comply with the Dutch Annual Accounts Formats Decree (*Besluit modellen jaarrekening*), model K for the statement of financial position and model L for the income statement.

Subsidiaries are all companies and other entities in respect of which de Volksbank N.V. has the power to govern the financial and operating policies, whether directly or indirectly, and which are controlled by de Volksbank N.V. The subsidiaries are accounted for using the equity method. The subsidiaries are regarded as an asset and liability combination and not as an indivisible asset. The expected credit losses as prescribed in IFRS 9 on receivables from subsidiaries in the company financial statements are eliminated and included in the carrying amount of the receivables.

Changes in balance sheet values due to the results of subsidiaries, accounted for in accordance with de Volksbank N.V. accounting policies, are included in the income statement. The distributable reserves of subsidiaries are included in other reserves.

Receivables from and amounts due to subsidiaries are intercompany balances, and are valued at amortised cost.

The cashflow and fair value reserve qualify as legal revaluation reserves.

Liquid assets include the non-restricted demand deposits with the Dutch Central Bank and advances to credit institutions with a remaining maturity of less than one month.

## Notes to the company financial statements

### 1. Cash and balances at central banks

#### Cash and balances at central banks

| in € millions                  | 2023         | 2022         |
|--------------------------------|--------------|--------------|
| Balances held at central banks | 5,824        | 7,907        |
| Short-term bank balances       | 32           | 62           |
| Cash                           | 28           | 24           |
| <b>Total</b>                   | <b>5,884</b> | <b>7,993</b> |

### 2. Government paper eligible at the central bank

#### Short-term government paper

| in € millions  | 2023       | 2022       |
|--|------------|------------|
| Short-term government paper - amortised costs        | 692        | 853        |
| Short-term government paper - fair value through OCI | 154        | 115        |
| <b>Total</b>   | <b>846</b> | <b>968</b> |

### 3. Loans and advances to banks

#### Loans and advances to banks

| in € millions                              | 2023         | 2022         |
|--|--------------|--------------|
| Deposits                                   | 4,163        | 6,487        |
| Demands deposits at the Dutch Central Bank | 512          | 402          |
| Provision for credit losses                | -4           | -5           |
| <b>Total</b>                               | <b>4,671</b> | <b>6,884</b> |

### 4. Loans and advances to customers

#### Loans and advances to customers

| in € millions                        | 2023          | 2022          |
|--------------------------------------|---------------|---------------|
| Residential mortgages                | 47,767        | 46,134        |
| Consumer loans                       | 51            | 45            |
| SME loans                            | 1,213         | 1,061         |
| Other corporate and government loans | 1,816         | 1,726         |
| <b>Total</b>                         | <b>50,847</b> | <b>48,966</b> |

For more information on Loans and advances to customers, see Note 7 Loans and advances to customers of the consolidated financial statements.

### 5. Derivatives

#### Derivatives

| in € millions                                    | Positive value |              | Negative value |            | Balance      |              |
|--|----------------|--------------|----------------|------------|--------------|--------------|
|  | 2023           | 2022         | 2023           | 2022       | 2023         | 2022         |
| Derivatives held for fair value hedge accounting | 2,048          | 2,892        | 594            | 555        | 1,454        | 2,337        |
| Derivatives held for cashflow hedge accounting   | --             | --           | --             | 3          | --           | -3           |
| Derivatives held for economic hedges             | 48             | 45           | 91             | 48         | -43          | -3           |
| Derivatives held for trading                     | 445            | 355          | 436            | 318        | 9            | 37           |
| <b>Total</b>                                     | <b>2,541</b>   | <b>3,292</b> | <b>1,121</b>   | <b>924</b> | <b>1,420</b> | <b>2,368</b> |

#### Statement of changes in derivatives

| in € millions             | 2023         | 2022         |
|---------------------------|--------------|--------------|
| Opening balance           | 2,368        | -398         |
| Purchases                 | -7           | 168          |
| Settlements               | -116         | -550         |
| Revaluations              | -826         | 3,149        |
| Exchange rate differences | 1            | -1           |
| <b>Closing balance</b>    | <b>1,420</b> | <b>2,368</b> |

## 6. Debt securities

### Debt securities

| in € millions          | 2023         | 2022         |
|------------------------|--------------|--------------|
| Amortised cost         | 2,734        | 1,898        |
| Fair value through OCI | 3,121        | 2,687        |
| Fair value through P&L | 17           | 25           |
| <b>Total</b>           | <b>5,872</b> | <b>4,610</b> |

For more information on Debt securities, see Note 5 Investments of the consolidated financial statements.

## 7. Equity securities

### Equity securities

| in € millions          | 2023      | 2022      |
|------------------------|-----------|-----------|
| Fair value through OCI | 1         | 1         |
| Fair value through P&L | 11        | 9         |
| <b>Total</b>           | <b>12</b> | <b>10</b> |

For more information on Equity securities, see Note 5 Investments of the consolidated financial statements.

## 8. Subsidiaries

### Statement of changes in subsidiaries

| in € millions                        | 2023      | 2022      |
|--------------------------------------|-----------|-----------|
| Opening balance                      | 76        | 79        |
| Result subsidiaries                  | 1         | 45        |
| Adjustment equity value subsidiaries | --        | -48       |
| <b>Closing balance</b>               | <b>77</b> | <b>76</b> |

Securitised mortgages are not derecognised from the company financial statements as the derecognition criteria are not met. For that reason, the equity values of subsidiaries that are presented in the company financial statements only relate to assets and liabilities of the subsidiary except securitised mortgages.

## 9. Tangible assets

### Property and equipment

| in € millions                 | 2023      | 2022      |
|-------------------------------|-----------|-----------|
| Land and buildings in own use | 8         | 8         |
| IT equipment                  | 10        | 8         |
| Other tangible assets         | 22        | 24        |
| Right of use assets           | 32        | 38        |
| <b>Total</b>                  | <b>72</b> | <b>78</b> |

For a more detailed explanation on the Right of use of assets, refer to Note 18 Leases in the Notes to the consolidated financial statements.

### Statement of change in property and equipment

| in € millions                             | Land and buildings |          | IT equipment |          | Other assets |           | Total     |           |
|---|--------------------|----------|--------------|----------|--------------|-----------|-----------|-----------|
|   | 2023               | 2022     | 2023         | 2022     | 2023         | 2022      | 2023      | 2022      |
| Accumulated acquisitions costs            | 9                  | 10       | 45           | 38       | 97           | 94        | 151       | 142       |
| Accumulated amortisations and impairments | -1                 | -2       | -35          | -30      | -75          | -70       | -111      | -102      |
| <b>Closing balance</b>                    | <b>8</b>           | <b>8</b> | <b>10</b>    | <b>8</b> | <b>22</b>    | <b>24</b> | <b>40</b> | <b>40</b> |
| Opening balance                           | 8                  | 11       | 8            | 6        | 24           | 26        | 40        | 43        |
| Revaluations                              | --                 | --       | --           | --       | --           | --        | --        | --        |
| Investments                               | --                 | -1       | 6            | 5        | 5            | 7         | 11        | 11        |
| Divestments                               | --                 | -2       | --           | --       | --           | -1        | --        | -3        |
| Depreciation                              | --                 | --       | -4           | -3       | -6           | -7        | -10       | -10       |
| Impairments                               | --                 | --       | --           | --       | -1           | -1        | -1        | -1        |
| <b>Closing balance</b>                    | <b>8</b>           | <b>8</b> | <b>10</b>    | <b>8</b> | <b>22</b>    | <b>24</b> | <b>40</b> | <b>40</b> |

**Depreciation and amortisation of property and equipment**

| in € millions                                | 2023      | 2022      |
|--|-----------|-----------|
| Depreciation on tangible assets              | 10        | 11        |
| Impairment on tangible assets                | 1         | --        |
| Depreciation of right of use assets (leases) | 11        | 10        |
| <b>Total</b>                                 | <b>22</b> | <b>21</b> |

**10. Other assets****Other assets**

| in € millions                 | 2023       | 2022       |
|-------------------------------|------------|------------|
| Receivables from subsidiaries | 182        | 331        |
| Corporate income tax          | --         | 20         |
| Deferred tax assets           | 14         | 68         |
| Trade and other receivables   | 47         | 14         |
| Amounts to be settled         | 154        | 155        |
| Sublease                      | 9          | 11         |
| Accrued assets                | 30         | 28         |
| Other                         | 38         | 36         |
| <b>Total</b>                  | <b>474</b> | <b>663</b> |

Other accrued assets include the advanced contribution of de Volksbank to the Dutch Central Bank of € 38 million (2022: € 36 million) under the Deposit Guarantee Scheme (DGS) in relation to its share related to the bankruptcy of DSB bank.

**11. Amounts due to banks****Amounts due to banks**

| in € millions                            | 2023         | 2022         |
|--|--------------|--------------|
| Repurchase agreements - held for trading | 100          | 232          |
| Cash collateral received                 | 1,549        | 2,447        |
| Current accounts                         | 1            | 11           |
| Deposits with agreed maturity            | 297          | 115          |
| <b>Total</b>                             | <b>1,947</b> | <b>2,805</b> |

For more information on Amounts due to banks, see Note [11 Amounts due to banks](#) of the consolidated financial statements.

**12. Amounts due to customers****Amounts due to customers**

| in € millions                  | 2023          | 2022          |
|--------------------------------|---------------|---------------|
| Savings                        | 43,623        | 44,501        |
| Other amounts due to customers | 11,287        | 12,649        |
| <b>Total</b>                   | <b>54,910</b> | <b>57,150</b> |

For more information on Amounts due to customers, see Note [12 Savings](#) and Note [13 Other amounts due to customers](#) of the consolidated financial statements.

**13. Debt certificates****Debt certificates**

| in € millions                    | 2023         | 2022         |
|----------------------------------|--------------|--------------|
| Medium-term notes (MTN)          | 7,705        | 7,166        |
| Certificates of deposits         | --           | 100          |
| <b>Balance as at 31 December</b> | <b>7,705</b> | <b>7,266</b> |

**Statement of changes in debt certificates**

| in € millions           | Medium<br>Term Notes |              | Certificates<br>of Deposit |            | Total        |              |
|-------------------------|----------------------|--------------|----------------------------|------------|--------------|--------------|
|                         | 2023                 | 2022         | 2023                       | 2022       | 2023         | 2022         |
| Opening balance         | 7,166                | 6,858        | 100                        | 200        | 7,266        | 7,058        |
| Issues                  | 995                  | 857          | 308                        | 344        | 1,303        | 1,201        |
| Redemptions             | -487                 | -529         | -409                       | -444       | -896         | -973         |
| Revaluations            | 1                    | -28          | --                         | --         | 1            | -28          |
| Amortisation            | 9                    | 7            | 1                          | --         | 10           | 7            |
| Change accrued interest | 21                   | 9            | --                         | --         | 21           | 9            |
| Other adjustments       | --                   | -8           | --                         | --         | --           | -8           |
| <b>Closing balance</b>  | <b>7,705</b>         | <b>7,166</b> | <b>--</b>                  | <b>100</b> | <b>7,705</b> | <b>7,266</b> |

## 14. Other liabilities

### Other liabilities

| in € millions               | 2023       | 2022         |
|-----------------------------|------------|--------------|
| Amounts due to subsidiaries | 478        | 656          |
| Corporate income tax        | 59         | --           |
| Deferred tax liabilities    | 16         | 19           |
| Other taxes                 | 20         | 17           |
| Accruals                    | 323        | 311          |
| Lease liabilities           | 41         | 50           |
| Other                       | 41         | 68           |
| <b>Total</b>                | <b>978</b> | <b>1,121</b> |

For a more detailed explanation to the Lease liabilities, refer to Note [18 Leases](#) in the Notes to the consolidated financial statements.

Other relates mainly to amounts payable to customers and suppliers.

## 15. Other provisions

### Other provisions

| in € millions                                       | 2023      | 2022      |
|---|-----------|-----------|
| Employee benefits                                   | 12        | 12        |
| Restructuring provision                             | 9         | 13        |
| Other provisions                                    | 12        | 27        |
| Provision for credit losses off-balance sheet items | 11        | 14        |
| <b>Total</b>  | <b>44</b> | <b>66</b> |

For more information on Other provisions, see Note [16 Provisions](#) of the consolidated financial statements.

## 16. Subordinated debts

### Subordinated debts

| in € millions | 2023       | 2022       |
|---------------|------------|------------|
| Bonds         | 500        | 500        |
| <b>Total</b>  | <b>500</b> | <b>500</b> |

For more information on Subordinated debts, see Note [15 Subordinated debts](#) of the consolidated financial statements.

## 17. Equity

### Issued shares

The issued share capital is fully paid up and solely comprises ordinary shares. The nominal value of the ordinary shares is € 453.79.

### Issued shares

| In numbers                                    | Number of shares |                | Amount of shares in € millions |            |
|---|------------------|----------------|--------------------------------|------------|
|   | 2023             | 2022           | 2023                           | 2022       |
| Authorised share capital                      | 4,200,040        | 4,200,040      | 1,906                          | 1,906      |
| Share capital in portfolio                    | 3,360,032        | 3,360,032      | 1,525                          | 1,525      |
| <b>Issued share capital as at 31 December</b> | <b>840,008</b>   | <b>840,008</b> | <b>381</b>                     | <b>381</b> |

## Statement of changes in equity in 2023

| in € millions                                  | Issued capital | Share premium reserve | Cashflow hedge-reserve | Fair value reserve | Other reserves | Net result for the period | AT1 capital securities | Total Equity |
|--|----------------|-----------------------|------------------------|--------------------|----------------|---------------------------|------------------------|--------------|
| <b>Balance as at 1 January 2023</b>            | 381            | 3,537                 | 17                     | -146               | -570           | 191                       | 298                    | 3,708        |
| <b>Transfer of net result</b>                  | --             | --                    | --                     | --                 | 101            | -101                      | --                     | --           |
| Unrealised revaluations                        | --             | --                    | --                     | 24                 | --             | --                        | --                     | 24           |
| Realised revaluations through P&L              | --             | --                    | -2                     | 41                 | --             | --                        | --                     | 39           |
| <b>Amounts charged directly to equity</b>      | --             | --                    | -2                     | 65                 | --             | --                        | --                     | 63           |
| Net result                                     | --             | --                    | --                     | --                 | --             | 431                       | --                     | 431          |
| <b>Total result 2023</b>                       | --             | --                    | -2                     | 65                 | --             | 431                       | --                     | 494          |
| Paid interest on AT1 capital securities        | --             | --                    | --                     | --                 | -21            | --                        | --                     | -21          |
| Dividend                                       | --             | --                    | --                     | --                 | --             | -90                       | --                     | -90          |
| <b>Transactions with owners of the company</b> | --             | --                    | --                     | --                 | -21            | -90                       | --                     | -111         |
| <b>Total changes in equity</b>                 | --             | --                    | -2                     | 65                 | 80             | 240                       | --                     | 383          |
| <b>Balance as at 31 December 2023</b>          | 381            | 3,537                 | 15                     | -81                | -490           | 431                       | 298                    | 4,091        |

## Statement of changes in equity in 2022

| in € millions                                  | Issued capital | Share premium reserve | Cashflow hedge-reserve | Fair value reserve | Other reserves | Net result for the period | AT1 capital securities | Total Equity |
|--|----------------|-----------------------|------------------------|--------------------|----------------|---------------------------|------------------------|--------------|
| <b>Balance as at 1 January 2022</b>            | 381            | 3,537                 | 19                     | 11                 | -624           | 162                       | --                     | 3,486        |
| <b>Transfer of net result</b>                  | --             | --                    | --                     | --                 | 65             | -65                       | --                     | --           |
| Unrealised revaluations                        | --             | --                    | --                     | -167               | --             | --                        | --                     | -167         |
| Realised revaluations through P&L              | --             | --                    | -2                     | 10                 | --             | --                        | --                     | 8            |
| <b>Amounts charged directly to equity</b>      | --             | --                    | -2                     | -157               | --             | --                        | --                     | -159         |
| Net result                                     | --             | --                    | --                     | --                 | --             | 191                       | --                     | 191          |
| <b>Total result 2022</b>                       | --             | --                    | -2                     | -157               | --             | 191                       | --                     | 32           |
| Increase of capital                            | --             | --                    | --                     | --                 | --             | --                        | 298                    | 298          |
| Paid interest on AT1 capital securities        | --             | --                    | --                     | --                 | -11            | --                        | --                     | -11          |
| Dividend                                       | --             | --                    | --                     | --                 | --             | -97                       | --                     | -97          |
| <b>Transactions with owners of the company</b> | --             | --                    | --                     | --                 | -11            | -97                       | 298                    | 190          |
| <b>Total changes in equity</b>                 | --             | --                    | -2                     | -157               | 54             | 29                        | 298                    | 222          |
| <b>Balance as at 31 December 2022</b>          | 381            | 3,537                 | 17                     | -146               | -570           | 191                       | 298                    | 3,708        |

The cashflow hedge reserve and fair value reserve are legal reserves.



## 18. Contingent liabilities and commitments

De Volksbank N.V. has provided guarantees as referred to in Book 2, section 403 of the Dutch Civil Code for Pettelaar Effectenbewaarbedrijf N.V., SNS Global Custody B.V. and ASN Duurzame Deelnemingen N.V.

For more information on the other contingent liabilities, see Note [20 Contingent liabilities and commitments](#) of the consolidated financial statements.

## 19. Maturity of certain assets and liabilities

### Analysis of certain assets and liabilities by maturity as at 31 December 2023

| in € millions                   | On demand | ≤ 3 months | > 3 months<br>≤ 1 year | > 1 year<br>≤ 5 years | > 5 years | Total         |
|---------------------------------|-----------|------------|------------------------|-----------------------|-----------|---------------|
| <b>Assets</b>                   |           |            |                        |                       |           |               |
| Loans and advances to banks     | --        | 2,579      | 1,257                  | 642                   | 193       | <b>4,671</b>  |
| Loans and advances to customers | --        | 549        | 956                    | 3,856                 | 45,486    | <b>50,847</b> |
| <b>Liabilities</b>              |           |            |                        |                       |           |               |
| Amounts due to banks            | --        | 596        | 78                     | 275                   | 998       | <b>1,947</b>  |
| Amounts due to customers        | 39,047    | 11,813     | 977                    | 1,201                 | 1,872     | <b>54,910</b> |
| Debt certificates               | --        | 5          | 700                    | 3,565                 | 3,435     | <b>7,705</b>  |
| Subordinated debts              | --        | --         | --                     | --                    | 500       | <b>500</b>    |

### Analysis of certain assets and liabilities by maturity as at 31 December 2022

| in € millions                   | On demand | ≤ 3 months | > 3 months<br>≤ 1 year | > 1 year<br>≤ 5 years | > 5 years | Total         |
|---------------------------------|-----------|------------|------------------------|-----------------------|-----------|---------------|
| <b>Assets</b>                   |           |            |                        |                       |           |               |
| Loans and advances to banks     | --        | 4,075      | 1,922                  | 706                   | 181       | <b>6,884</b>  |
| Loans and advances to customers | --        | 704        | 916                    | 3,551                 | 43,795    | <b>48,966</b> |
| <b>Liabilities</b>              |           |            |                        |                       |           |               |
| Amounts due to banks            | --        | 522        | 84                     | 353                   | 1,846     | <b>2,805</b>  |
| Amounts due to customers        | 42,607    | 10,769     | 189                    | 757                   | 2,828     | <b>57,150</b> |
| Debt certificates               | --        | 100        | 490                    | 3,248                 | 3,428     | <b>7,266</b>  |
| Subordinated debts              | --        | --         | --                     | --                    | 500       | <b>500</b>    |

## 20. Related parties

### Positions and transactions between de Volksbank N.V. and subsidiaries

| in € millions   | Securitisation entities |      | Other |      | Total |      |
|-----------------|-------------------------|------|-------|------|-------|------|
|                 | 2023                    | 2022 | 2023  | 2022 | 2023  | 2022 |
| Income received | 7                       | 9    | 5     | 4    | 12    | 13   |
| Expenses paid   | --                      | --   | --    | --   | --    | --   |

For more information, see Note [22 Related parties](#) of the consolidated financial statements.

The receivables from subsidiaries and the amounts due to subsidiaries are included in Note [10 Other assets](#) and Note [14 Other liabilities](#).

## 21. Post balance sheet events

There were no material post balance sheet events that could require disclosure or adjustment to the 31 December 2023 financial statements.

## 22. Net interest income

### Net interest income

| in € millions                             | 2023         | 2022       |
|---|--------------|------------|
| Interest income debt securities           | 159          | 14         |
| Interest income balances at central banks | 258          | --         |
| Interest income residential mortgages     | 1,355        | 944        |
| Interest income other                     | 265          | 170        |
| Interest expense banking activities       | -734         | -276       |
| <b>Net interest income</b>                | <b>1,303</b> | <b>852</b> |

## 23. Investment income and result subsidiaries

### Investment income and result subsidiaries

| in € millions                         | 2023       | 2022      |
|---------------------------------------|------------|-----------|
| Investment income - equity securities | 2          | 1         |
| Investment income - debt securities   | -56        | -9        |
| Result subsidiaries                   | 1          | 45        |
| <b>Total</b>                          | <b>-53</b> | <b>37</b> |

## 24. Net fee and commission income

### Net fee and commission income

| in € millions                            | 2023       | 2022       |
|--|------------|------------|
| <b>Fee and commission income</b>         |            |            |
| Money transfer and payment charges       | 75         | 58         |
| Advice and agency activities             | 22         | 21         |
| Management fees                          | 10         | 9          |
| Insurance agency activities              | 18         | 19         |
| Other activities                         | 1          | 1          |
| <b>Total fee and commission income</b>   | <b>126</b> | <b>108</b> |
| <b>Fee and commission expenses</b>       |            |            |
| Money transfer and payment charges       | 14         | 11         |
| Management fees                          | 3          | 4          |
| Insurance agency activities              | 1          | 1          |
| Fee franchise                            | 70         | 69         |
| <b>Total fee and commission expenses</b> | <b>88</b>  | <b>85</b>  |
| <b>Total</b>                             | <b>38</b>  | <b>23</b>  |

For more information on the increase in Fee franchise, see Note [26 Net fee and commission income](#) in the consolidated financial statements.

## 25. Other results on financial instruments

### Other results on financial instruments

| in € millions  | 2023       | 2022      |
|--|------------|-----------|
| Ineffectiveness fair value hedge accounting                              | 17         | 9         |
| Ineffectiveness cash flow hedge accounting                               | --         | --        |
| Non-trading derivatives: economic hedges - currency                      | 9          | -4        |
| Trading results derivatives, investments and other financial instruments | 81         | 33        |
| Result on buy back of debt instruments                                   | --         | -2        |
| <b>Total</b>   | <b>107</b> | <b>36</b> |

## 26. Staff costs

### Staff costs

| in € millions     | 2023       | 2022       |
|-------------------|------------|------------|
| Salaries          | 228        | 199        |
| Pension costs     | 40         | 41         |
| Social security   | 37         | 29         |
| Other staff costs | 176        | 109        |
| <b>Total</b>      | <b>481</b> | <b>378</b> |

## 27. Other operating expenses

### Other operating expenses

| in € millions                        | 2023       | 2022       |
|--------------------------------------|------------|------------|
| Housing costs                        | 5          | 5          |
| Information technology costs         | 79         | 65         |
| Marketing and public relations costs | 34         | 29         |
| Consultancy costs and audit fees     | 65         | 33         |
| Regulatory levies                    | 42         | 69         |
| Other costs                          | 64         | 42         |
| <b>Total</b>                         | <b>289</b> | <b>243</b> |

For more information on the increase in Other operating expenses, see Note [31](#) Other operating expenses in the consolidated financial statements.

## 28. Impairment charges (reversals) of financial assets

### Impairment charges of financial assets

| in € millions  | 2023      | 2022      |
|--|-----------|-----------|
| Investments  | --        | 8         |
| Loans and advances to banks                          | -2        | 5         |
| Loans and advances to customers                      | 16        | 39        |
| <i>Of which residential mortgages</i>                | 9         | 17        |
| <i>Of which consumer loans</i>                       | -2        | -3        |
| <i>Of which SME loans</i>                            | -1        | 2         |
| <i>Of which other corporate and government loans</i> | 10        | 23        |
| Other  | 1         | --        |
| <b>Total impairment charges of financial assets</b>  | <b>15</b> | <b>52</b> |

## 29. Taxation

### Specification of taxation

| in € millions                   | 2023       | 2022      |
|---------------------------------|------------|-----------|
| In financial year               | 157        | 62        |
| Prior year adjustments          | 1          | --        |
| <b>Corporate income tax due</b> | <b>158</b> | <b>62</b> |
| Due to temporary differences    | -1         | 1         |
| <b>Deferred tax</b>             | <b>-1</b>  | <b>1</b>  |
| <b>Total</b>                    | <b>157</b> | <b>63</b> |

The effective tax rate over 2023 amounts to 26.7% (2022: 24.9 %).

## Profit or loss appropriation

De Volksbank proposes to pay out a dividend in the amount of € 164 million (2022: € 90 million) from the net result for the period for 2023. The profit after dividend payment for the financial year 2023 will be added to the other reserves.

Utrecht, 7 March 2024

### Executive Board

Martijn Gribnau (Chair)  
Jeroen Dijst  
André Haag  
Marinka van der Meer

### Supervisory Board

Gerard van Olphen (Chair)  
Jos van Lange (Vice chair)  
Jeanine Helthuis  
Petra van Hoeken  
Aloys Kregting



Other information

## Other information

### In this chapter

#### Section

**Provisions regarding profit or loss appropriation**

**Independent auditor's report**

**Non-financial Assurance report of the independent auditor**

## Provisions regarding profit or loss appropriation

### Provisions of the Articles of Association regarding profit or loss appropriation

#### Article 30 DISTRIBUTIONS ON SHARES

30.1 The profits as determined through the adoption of the annual accounts shall be at the disposal of the General Meeting. The General Meeting may decide to make a distribution, to the extent that the shareholders' equity exceeds the amount of the paid and called up part of the capital and the reserves that must be maintained by law.

30.2 For the purposes of calculating any distribution, shares held by the Company in its own capital shall not be included.

30.3 For the purposes of calculating the amount to be distributed on each share, only the amount of the mandatory payments towards the nominal value of the shares shall be taken into account.

30.4 If the General Meeting so determines on the proposal of the Management Board, an interim dividend will be distributed, including an interim dividend from reserves, but only with due observance of what is provided in Section 2:105(4) DCC.

30.5 Unless the General Meeting determines otherwise, distributions shall be payable immediately

30.6 A Shareholder's claim under this Article 30 shall lapse after five years.

## Independent auditor's report

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

### Report on the audit of the financial statements 2023 included in the integrated annual report

#### Our opinion

We have audited the financial statements 2023 of de Volksbank N.V. based in Utrecht, the Netherlands. The financial statements comprise the consolidated and company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of de Volksbank N.V. as at 31 December 2023 and of its result and its cash flows for 2023 in accordance with International Financial Reporting Standards as adopted in the European Union (EU-IFRSs) and with Part 9 of Book 2 of the Dutch Civil Code
- the accompanying company financial statements give a true and fair view of the financial position of de Volksbank N.V. as at 31 December 2023 and of its result for 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023
- the following statements for 2023: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated cashflow statement
- the notes comprising material accounting policy information and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2023;
- the company income statement for 2023;
- the notes comprising a summary of the accounting policies and other explanatory information.

#### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of de Volksbank N.V. ('the company') in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-

opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

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

#### Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

#### Our understanding of the business

De Volksbank N.V. is a bank with a focus on mortgages, payments and savings as its most important products for Dutch retail clients, through the brands SNS, ASN Bank, BLG Wonen and RegioBank. We paid specific attention in our audit to a number of areas driven by the operations of the company and our risk assessment.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In order to obtain sufficient and appropriate audit evidence to provide an opinion on the consolidated financial statements, we have performed a full-scope audit on the consolidated financial information of de Volksbank N.V. as a whole (no components) and by one audit team.

#### Materiality

|                   |  |
|-------------------|--|
| Materiality       | EUR 20 million (2022: EUR 18 million)  |
| Benchmark applied | 0.5% of equity as at 31 December 2023 (2022: 0.5%)   |
| Explanation       | Based on our professional judgment of financial information needs of users of the financial statements, a benchmark of 0.5% of equity is an appropriate quantitative indicator of materiality as it best reflects the financial position of de Volksbank N.V. We determined materiality consistently with the previous financial year. |

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of EUR 1.0 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

#### Teaming and use of specialists

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a bank. We included specialists in the areas of IT audit, forensics, sustainability, income tax and capital ratios. Furthermore, we have made use of our own experts in the areas of provision for expected credit losses (i.e., modelling, collateral valuation, macro-economic), valuation of financial instruments, hedge accounting, legal and compliance, employee benefits, and fair value disclosures.

#### Our focus on climate-related risks and the energy transition

Climate change and the energy transition are high on the public agenda and lead to significant change for many businesses and society. The executive board reported in section 2 'Sustainability statements' and section 4.9 'Sustainability risk' how the company is addressing climate-related and environmental risks also taking into account related regulatory and supervisory guidance and recommendations. Furthermore, we refer to section 2 'Sustainability statements' of the integrated annual report where de Volksbank discloses its publication of the climate action plan and preparatory steps taken in connection to climate-related risks and the effects of energy transition.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the possible effects of the energy transition and de Volksbank N.V.'s climate action plan are materially impacting financial reporting judgements, estimates and significant assumptions applied by de Volksbank N.V., including those related to the estimation of expected credit losses. Furthermore, we read the management report and considered whether there is any material inconsistency between the non-financial information in section 2 'Sustainability statements' and section 4.9 'Sustainability risk' and the financial statements.

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, estimates or significant assumptions as at 31 December 2023.

#### Our focus on fraud and non-compliance with laws and regulations

##### Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

##### Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the executive board's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to section 4 'Risk management', and in particular regarding 'fraud (crime) risk' as included in section 4.3.2 'Operational risk', of the integrated annual report for the executive board's (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration in close co-operation with our forensic specialists. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption, in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present. In our risk assessments we considered the potential impact of among others developments of key financial ratios, the business development and organizational changes. We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We addressed the risks related to management override of controls, as this risk is present in all companies, as well as the presumed risk of fraud in revenue recognition:

- For the risks related to management override of controls we have performed procedures among other things to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to



fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in the 'Material accounting policies' note to the financial statements. We have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties. Additionally, as described in our key audit matter on the 'Estimation of expected credit losses on residential mortgages', we specifically considered the risk of management override of controls in connection with assumptions such as macro-economic scenarios and forward-looking information in the determination of the expected credit losses that may represent a risk of material misstatement due to fraud.

- With regards to the presumed risk of fraud in revenue recognition, based on our risk assessment procedures, we concluded that this risk is in areas that are complex or with higher subjectivity in meeting revenue recognition criteria, more specifically related to prepayment penalties in case of interest averaging on retail mortgages. We designed and performed, with support of our own specialists, our audit procedures relating to revenue recognition responsive to this presumed fraud risk.

Furthermore, we took in to account available information and made enquiries of relevant functions (including risk, compliance, crime, internal audit and legal), the executive board, and the supervisory board.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

#### **Our audit response related to risks of non-compliance with laws and regulations**

De Volksbank N.V. is subject to laws and regulations that directly affect the financial statements, including financial reporting standards, corporate tax law and various banking supervisory regulations. Also, de Volksbank N.V. is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or instructions. Examples are laws and regulations in respect of anti-money laundering ('AML'), sanctions, privacy, duty of care, and capital requirements regulations. We refer to section 4 'Risk management', and in particular section 4.3.3 'Compliance risk' and section 4.10 'Management Statement', as well as to section 2 'Sustainability statements', and in particular section 2.4.4 'Compliance with laws and regulations', for the areas identified by the executive board with a risk of non-compliance with regulations and heightened regulatory scrutiny.

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of

material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the executive board, inspection of the integrity risk analysis (SIRA), reading minutes, inspection of reports from risk, compliance and internal audit and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. In case of potential non-compliance with laws and regulations that may have a material effect on the financial statements, we assessed whether the company has an adequate process in place to evaluate the impact of non-compliance for its activities and financial reporting and, where relevant, whether the company implemented remediation plans. Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us. Specifically with regard to the AML remediation activities, we make reference to the key audit matter on the 'Estimation of other, non-credit, provisions and related disclosures'.

#### **Our audit response related to going concern**

As disclosed in the 'Basis of preparation' section in the notes to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the executive board made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with the executive board exercising professional judgment and maintaining professional skepticism. We considered whether the executive board's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern and whether the company will continue to comply with prudential requirements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

**Our key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated

the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed. In comparison with previous year, our key audit matters did not change.

**Estimation of expected credit losses on residential mortgages**

|                           |  |
|---------------------------|--|
| <p>Risk</p>               | <p>Residential mortgages are measured at amortized cost less a provision for credit losses. The provision for credit losses represents the company's best estimate of expected credit losses. At 31 December 2023, the total gross residential mortgage loan portfolio amounts to EUR 47.9 billion (2022: EUR 46.2 billion) and the provision for credit losses amounts to EUR 118 million (2022: EUR 98 million), as reported and disclosed in note 7 to the consolidated financial statements. The notes to the financial statements also disclose the 'Changes in accounting policies, estimates and presentation' related to the management overlay for interest-only mortgages. Furthermore, in the risk management sections 4.4.4 and 4.4.5 of the integrated annual report as well as in the sustainability statements section 2.2.1, developments with regard to credit risk are disclosed.</p> <p>The expected credit losses are calculated based on assumptions such as the probability of default, the loss given default, the allocation of loans to stages and the use of macro-economic scenarios and forward-looking information. In response to the higher estimation uncertainty and the current economic circumstances, management overlays have been recognized.</p> <p>The appropriateness of provisions for expected credit losses is a key area of judgment for the executive board. The identification of expected credit losses and the determination of the recoverability of residential mortgages are inherently uncertain processes involving assumptions and factors, including scenarios for unemployment and housing prices and the impact of inflationary pressures and changing interest environment. The use of alternative modelling techniques and assumptions could produce significantly different estimates of provisions for expected credit losses.</p> <p>As part of our risk assessment, we considered the potential risk of management override of controls and we identified a significant risk with regard the collateral values as an important factor for loss given default and thus the expected credit losses. Given the relative size of the residential mortgages of de Volksbank N.V., the complex accounting requirements with respect to calculating provisions for expected credit losses and the subjectivity involved in the judgments made, we considered this to be a key audit matter.</p> |
| <p>Our audit approach</p> | <p>Our audit procedures included, amongst others, evaluating the appropriateness of de Volksbank N.V.'s accounting policies related to expected credit losses in accordance with IFRS 9 "Financial Instruments" and whether the accounting policies have been applied consistently. We have obtained an understanding of the loan loss provisioning process, evaluated the design and the implementation and, where considered appropriate, tested operating effectiveness of controls across the processes relevant to the expected credit loss calculations, and performed substantive procedures as well. Our audit procedures included the allocation of loans to stages, model governance, data accuracy and completeness, arrears management, multiple macro-economic scenarios, post-model adjustments including management overlays, journal entry testing and disclosures.</p> <p>With the support of our modelling specialists, we assessed the adequacy of the provisioning models used by de Volksbank N.V. and verified whether the models were adequately designed and implemented. We performed an overall assessment of the provision levels by stage to determine if they were reasonable considering the risk profile of the residential mortgage portfolio, arrears management and credit risk management practices and the macro-economic environment. We challenged the criteria used to allocate loans to stage 1, 2 or 3 in accordance with IFRS 9 and tested loans for appropriate staging. We tested the data used in the expected credit loss calculation through reconciliation to source systems.</p>  |

## Estimation of expected credit losses on residential mortgages (continued)

|                    |  |
|--------------------|--|
| Our audit approach | <p>With the assistance of our real estate valuation specialists, we tested the collateral values as this is an important factor for determining the expected credit loss, in particular for stage 3 loans. We have assessed the indexation methodology for the collateral valuation, checked the correct application thereof, and performed an independent valuation test for a sample of collateral.</p> <p>With the support of our economic specialists, we assessed the base case and alternative economic scenarios including the impact of current macro-economic uncertainties and the recognition and documentation of management overlays. This included challenging probability weights and the macro-economic forecasts across the scenarios, as well as assessing the sensitivity of changes in the assumptions in the calculations.</p> <p>We assessed the completeness and tested the appropriateness and associated considerations of post-model adjustments, including management overlays. In this regard we also considered findings from regulatory inspections, industry sector developments, portfolio characteristics, inherent model uncertainties and the ongoing process of model redevelopments at de Volksbank N.V.</p> <p>Finally, we evaluated the completeness and accuracy of the disclosures relating to the provision for credit losses, as disclosed in note 7 to the financial statements and by reference in section 4.4 'Credit risk' of the risk management paragraph of the integrated annual report, to evaluate compliance with disclosure requirements included in EU-IFRSs. Furthermore, we evaluated the appropriateness of the credit risk disclosures in the sustainability statements of the integrated annual report. In particular we evaluated that the disclosures adequately convey the degree of estimation uncertainty and the range of possible outcomes under the different macro-economic scenarios.</p> |
| Key observations   | Based on our procedures performed, we consider the provision for expected credit losses on residential mortgages to be reasonable and in compliance with EU-IFRSs.   |

## Estimation of other, non-credit, provisions and related disclosures

|      |  |
|------|--|
| Risk | <p>In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", de Volksbank N.V. provides for obligations related to, among others, restructuring, legal claims and compliance matters. At 31 December 2023, a restructuring provision of EUR 9 million (2022: EUR 13 million) and other (non-credit) provisions of EUR 12 million (2022: EUR 27 million) are recognized and detailed in note 16 to the financial statements. In note 20, the contingent liabilities and legal proceedings are disclosed, among others highlighting the uncertainties and exposures of contingent liabilities due to non-compliance with laws and regulations and other matters. Furthermore, in the risk management sections 4.1.2, 4.1.3, 4.3.2 and 4.3.3 of the integrated annual report as well as in the sustainability statements section 2.4.4, developments with regard to legal and compliance risk are disclosed.</p> <p>Developments at de Volksbank N.V. with regard to the internal organization, services to customers, the range of products and compliance with laws and regulations, as well as heightened regulatory scrutiny, give rise to increased attention from the executive board when estimating the provisions or disclosing contingent liabilities, specifically in the determination of whether outflows in respect of identified matters are probable and can be estimated reliably and the appropriateness of assumptions and judgments used in the estimation of the provisions or the disclosure of contingent liabilities. Therefore, we consider this a key audit matter.</p> |
|------|--|

## Estimation of other, non-credit, provisions and related disclosures (continued)

|                           |   |
|---------------------------|---|
| <p>Our audit approach</p> | <p>We obtained an understanding of the entity-level controls and the legal and regulatory framework of the company. Further, we evaluated the design and implementation of controls by de Volksbank N.V. to identify, monitor and disclose provisions for obligations and contingent liabilities, and to assess the completeness and accuracy of data used to estimate provisions.</p> <p>For material provisions, such as in connection with restructuring and compensation schemes, we challenged the provisioning methodology and tested the underlying data and assumptions used. For obligations that were settled during 2023, we verified the actual outflows and considered residual risks. In respect of legal claims, we examined (interim) court rulings to evaluate the executive board's assessment of the probability of outflows and we performed substantive procedures on the estimation of outflows. Also, we assessed to what extent judgments and decisions made by management indicated a possible bias in determining these provisions.</p> <p>We also assessed whether the IAS 37 criteria are met as at 31 December 2023 to record provisions and disclose contingent liabilities in connection with the developments in the area of non-compliance with AML regulations ('customer integrity'). For the provision for remediation activities related to the SIRA instruction as imposed by DNB, we performed audit procedures to assess the accuracy and completeness of the provision. For the other AML remediation activities as required by DNB, we challenged whether a reliable estimate can be made as per 31 December 2023 in the context that de Volksbank N.V. is still in the preparation phase of the remediation plan.</p> <p>On a regular basis, we inquired with the risk, compliance, internal audit and legal departments of de Volksbank N.V. to understand and discuss existing and potentially new obligations and regulatory matters, amongst which relating to customer integrity. We examined the relevant internal reports as well as regulatory correspondence to understand developments and we performed follow-up procedures to examine the company's assessment of the impact on the financial statements and the adequacy of risk management disclosures. We obtained legal letters from external counsel and, where appropriate, we involved our legal and compliance specialists.</p> <p>Furthermore, we evaluated whether the disclosures provided on the provisions and contingent liabilities with regard to restructuring, legal claims and compliance matters in note 16 and note 20 to the financial statements are in accordance with the EU-IFRSs requirements. In this regard, we paid specific attention to the disclosures with regard to the AML remediation activities as well as the status of DNB's announcement of its intention to start a procedure to impose an administrative fine. Finally, we evaluated the appropriateness of the compliance and legal risk disclosures in the risk management paragraph and sustainability statements of the integrated annual report.</p> |
| <p>Key observations</p>   | <p>Based on our procedures performed we consider the provisions to be reasonable and in compliance with EU-IFRSs. The disclosures on provisions, contingent liabilities and legal proceedings are considered adequate and appropriate and meet the requirements under EU-IFRSs.</p>   |

## Reliability and continuity IT environment

|                    |   |
|--------------------|---|
| Risk               | <p>The activities and financial reporting of de Volksbank N.V. are highly dependent on the reliability and continuity of the IT environment. Effective general IT controls with respect to change management, logical access, infrastructure and operations, secure to a large extent the integrity and continuity of the IT systems as well as the operating effectiveness of the automated controls.</p> <p>As described in the risk management sections 4.1.2, 4.1.3 and 4.3.2 in the integrated annual report, the IT environment and the IT organization of de Volksbank N.V. are subject to process improvements. There is a risk that the general IT control measures may not always operate as intended. The dependency on the IT environment could lead to undetected misstatements in financial reporting. Therefore we identified the reliability and continuity of the IT environment as a key audit matter.</p>  |
| Our audit approach | <p>IT audit specialists are an integral part of the engagement team and assess the reliability and continuity of the IT environment to the extent necessary for the scope of our audit of the financial statements. In this context, we evaluated the design of the IT processes and tested the operating effectiveness of general IT controls.</p> <p>As de Volksbank has outsourced a part of their IT organization we have evaluated the outsourced IT processes and IT general controls from the relevant service providers in the context of the financial audit of de Volksbank. We inspected the reports on the design and operating effectiveness of controls from these service providers, evaluated testing exceptions and how complementary user entity control considerations have been addressed, which were all tested effective.</p> <p>Furthermore, we obtained an understanding of the cyber security procedures and reporting. Following certain observations related to the demonstrability of controls related to among others logical access, change management and infrastructure management, we performed additional substantive procedures in the context of our audit of the financial statements.</p> |
| Key observations   | <p>Our testing of the general IT controls and the substantive tests performed, provided sufficient evidence to enable us to rely on the adequate and continued operation of the IT systems relevant for our audit of the financial statements.</p>  |

## Report on other information included in the integrated annual report

The integrated annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures

performed is substantially less than the scope of those performed in our audit of the financial statements.

The executive board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

## Report on other legal and regulatory requirements and ESEF

### Engagement

We were engaged by supervisory board as auditor of de Volksbank N.V. on 12 October 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that date.

### No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

## European Single Electronic Reporting Format (ESEF)

De Volksbank N.V. has prepared the integrated annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the integrated annual report, prepared in the XHTML format, including the (partially) marked-up consolidated financial statements as included in the reporting package by de Volksbank N.V., complies in all material respects with the RTS on ESEF.

The executive board is responsible for preparing the integrated annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the executive board combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the integrated annual report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting). Our examination included amongst others:

- obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package;
- identifying and assessing the risks that the integrated annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files has been prepared in accordance with the technical specifications as included in the RTS on ESEF;
  - examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

## Description of responsibilities for the financial statements Responsibilities of the executive board and the supervisory board for the financial statements

The executive board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRSs and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the executive board is responsible for such internal control as

the executive board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the executive board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the executive board should prepare the financial statements using the going concern basis of accounting unless the executive board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The executive board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

## Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

## Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee of the supervisory board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the audit committee of the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 7 March 2024

Ernst & Young Accountants LLP

Signed by P.J.A.J. Nijssen

## Assurance report of the independent auditor on the sustainability information

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

### Our conclusions

We have performed a limited assurance engagement on the sustainability information for 2023 of de Volksbank N.V. at Utrecht.

The sustainability information is included in the following chapters of the accompanying Integrated Annual Report:

- 1.1 Our strategy
- 1.2 Our strategic progress
- 2.1 General information
- 2.2.1 Climate change
- 2.2.2 Responsible investment and financing
- 2.3 Social information
- 2.4. Governance information
- Additional information – Principles for Responsible Banking

Based on our procedures performed and the assurance information obtained, nothing has come to our attention that causes us to believe that the sustainability information does not present fairly, in all material respects:

- The policy with regard to sustainability matters
- The business operations, events and achievements in that area in 2023 in accordance with the applicable criteria as included in the section 'Criteria'.

Furthermore we have performed a reasonable assurance engagement on selected sustainability information included as part of the sustainability information. The selected sustainability information consists of the disclosures relating to the Net Promoter Score (hereafter: the NPS disclosures) as included in section "1.2.1. Strong customer relationship" of the Integrated Annual Report within the sustainability information mentioned above.

In our opinion the NPS disclosures are prepared, in all material respects, in accordance with the applicable criteria as included in the section 'Criteria'.

### Basis for our conclusions

We have performed our assurance engagement on the sustainability information in accordance with Dutch law, including Dutch standard 3810N, "Assurance-opdrachten inzake duurzaamheidsverslaggeving" (Assurance engagements relating to sustainability reporting), which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000, "Assurance

engagements other than audits or reviews of historical financial information". Our responsibilities in this regard are further described in the section 'Our responsibilities' of our report.

We are independent of de Volksbank N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence). This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics for Professional Accountants).

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

### Criteria

The criteria applied for the preparation of the sustainability information are the GRI Sustainability Reporting Standards (GRI Standards) and the criteria supplementally applied, including the UN Environment Programme Finance Initiative Principles for Responsible Banking, as disclosed in sections "Our approach to reporting", "Definition and methodology of strategic KPIs" and "Definitions of material topics" of the Integrated Annual Report. The criteria used for the preparation of the NPS disclosures are disclosed in section "Definition and methodology of strategic KPIs".

The sustainability information is prepared in accordance with the GRI Standards. The GRI Standards used are listed in the GRI Content Index as disclosed in paragraph "GRI Content Index" of the Integrated Annual Report.

The comparability of sustainability information between entities and over time may be affected by the absence of a uniform practice on which to draw, to evaluate and measure this information. This allows for the application of different, but acceptable, measurement techniques.

Consequently, the sustainability information needs to be read and understood together with the criteria applied.

### Limitations to the scope of our assurance engagement

The sustainability information includes prospective information such as ambitions, strategy, plans, expectations, estimates and risk assessments. Prospective information relates to events and actions that have not yet occurred and may never occur. We do not provide assurance on the assumptions and achievability of this prospective information.



In the paragraph “1.2.2 Social Impact” of the sustainability information, the calculations to determine the Climate-neutral Balance sheet (hereinafter: the impact data) are mostly based on assumptions and sources from third parties. The assumptions and sources used are disclosed in chapter “Definition and methodology of strategic KPIs” of the Integrated Annual Report which details the methodology used for the Climate-neutral Balance sheet based on “The Global GHG Accounting and Reporting Standard for the Financial Industry” of the “Partnership for Carbon Accounting Financials” (PCAF). We have reviewed that these assumptions and external sources are appropriate, but we have not performed procedures on the content of these assumptions and external sources.

The references to external sources or websites in the sustainability information are not part of the sustainability information as included in the scope of our assurance engagement. We therefore do not provide assurance on this information.

Our conclusions are not modified in respect of these matters.

### Responsibilities of the executive committee and the supervisory board for the sustainability information

The Executive Committee is responsible for the preparation and fair presentation of the sustainability information in accordance with the criteria as included in the section ‘Criteria’, including the identification of stakeholders and the definition of material matters.

The Executive Committee is also responsible for selecting and applying the criteria and for determining that these criteria are suitable for the legitimate information needs of stakeholders, considering applicable law and regulations related to reporting. The choices made by the Executive Committee regarding the scope of the sustainability information and the reporting policy are summarized in the chapter “Our approach to reporting” of the Integrated Annual Report.

Furthermore, the Executive Committee is responsible for such internal control as it determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the sustainability reporting process of de Volksbank N.V.

### Our responsibilities

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

Our assurance engagement of the sustainability information is aimed to obtain a limited level of assurance to determine the plausibility of sustainability information.

The procedures vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a limited assurance engagement is therefore substantially less than the assurance that is obtained when a reasonable assurance engagement is performed.

Our assurance engagement of the NPS disclosures has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material fraud and errors during our assurance engagement.

We apply the ‘Nadere voorschriften kwaliteitssystemen’ (NVKS, regulations for quality management systems) and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

For a more detailed description of our responsibilities, we refer to the appendix of this assurance report.

Amsterdam, 7 March 2024

Ernst & Young Accountants LLP

signed by J. Niewold

## Appendix to the assurance report of the independent auditor on the sustainability information

### Our assurance engagement included amongst others:

- Performing an analysis of the external environment and obtaining an understanding of relevant sustainability themes and issues and the characteristics of the company
- Evaluating the appropriateness of the criteria applied used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the company's materiality assessment and the reasonableness of estimates made by the Executive Committee
- Reconciling the relevant financial information with the financial statements
- Reading the information in the Integrated Annual Report which is not included in the scope of our assurance engagement to identify material inconsistencies, if any, with the sustainability information

### Our limited assurance engagement of the sustainability information included amongst others:

- Obtaining through inquiries a general understanding of the internal control environment, the reporting processes, the information systems and the entity's risk assessment process relevant to the preparation of the sustainability information, without obtaining assurance information about the implementation or testing the operating effectiveness of controls
- Inspected the Principles for Responsible Banking Self-Assessment and reviewed the accuracy of the data and the traceability of the process followed and documented by de Volksbank N.V.
- Obtaining an understanding of the procedures performed by the internal audit department and the external subject matter expert of de Volksbank N.V.
- Identifying areas of the sustainability information where misleading or unbalanced information or a material misstatement, whether due to fraud or error, is likely to arise. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
  - Making inquiries of management and/or relevant staff at corporate and brand level responsible for the sustainability strategy, policy and results
  - Interviewing relevant staff responsible for providing the information for, carrying out controls on, and consolidating the data in the sustainability information
  - Assessing the suitability and plausibility of assumptions and sources from third parties used for the calculation underlying the impact data as included in chapter "1.2.2 social impact" of the Integrated Annual Report and in the internal documentation of de Volksbank, following PCAF
  - Obtaining assurance evidence that the sustainability information reconciles with underlying records of de Volksbank N.V.
  - Reviewing, on a limited sample basis, relevant internal and external documentation
  - Considering the data and trends in the information submitted for consolidation at corporate level
- Considering the overall presentation and balanced content of the sustainability information
- Considering whether the sustainability information as a whole, including the sustainability matters and disclosures, is clearly and adequately disclosed in accordance with the criteria applied

### Our reasonable assurance engagement of the NPS disclosures included amongst others:

- Obtaining an understanding of the systems and processes for collecting, reporting, and consolidating the NPS disclosures, including obtaining an understanding of internal control environment relevant to our assurance engagement, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the procedures performed by the external subject matter expert of de Volksbank N.V.
- Identifying and assessing the risks that the NPS disclosures are misleading or unbalanced, or contains material misstatements, whether due to fraud or errors. Designing and performing further assurance procedures responsive to those risks, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our opinion. These procedures consisted amongst others of:
  - Reading minutes of the meetings of the Executive Committee, of the Supervisory Board and other meetings that are important for the content of the NPS disclosures
  - Interviewing relevant staff responsible for providing the information for, carrying out controls on, and consolidating the data in the sustainability information
  - Obtaining assurance evidence that the NPS disclosures reconcile with underlying records of de Volksbank N.V.
  - Evaluating relevant internal and external documentation, on a sample basis, to determine the reliability of the information in the NPS disclosures
  - Evaluating the data and trends: in the information submitted for consolidation at corporate level
- Evaluating whether the NPS disclosures are presented and disclosed free from material misstatement in accordance with the criteria applied

## Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the assurance engagement and significant findings, including any significant findings in internal control that we identify during our assurance engagement.

## Additional information

### In this chapter

#### Section

**[Our approach to reporting](#)**

**[EU Taxonomy tables](#)**

**[List of commitments and initiatives](#)**

**[Non-Financial Reporting Directive](#)**

**[Principles for Responsible Banking](#)**

**[GRI Content Index](#)**

**[Task Force on Climate-Related Financial Disclosures](#)**

**[Our contribution to five Sustainable Development Goals \(SDGs\)](#)**

**[Definitions and methodology of strategic KPIs](#)**

**[Definitions of material topics](#)**

## Our approach to reporting

The core of our reporting approach is based on the pillars of transparency, relevance, reliability, accuracy and comparability. Therefore, we not only report on our successes, but also address our dilemmas, improvement opportunities and negative impact. Nevertheless, we are somewhat limited in our openness as we cannot share any privacy-sensitive and confidential information.

Our reporting is structured as follows:

- This Integrated Annual Report (IAR) has been prepared in accordance with the Global Reporting Initiative (GRI) 2021 standards and the International Financial Reporting Standards (IFRS).
- This IAR is about de Volksbank N.V. and all its business units and brands; we consistently refer to them as 'de Volksbank'. All non-financial figures and our sustainability statement abide by the same scope of consolidation and cover de Volksbank N.V. and all its business units and brand, as is shown in [Note 22 related parties](#). The extent of this scope coincides with all our upstream and downstream activities as shown in Section [1.1.3 How we create value](#). In this, we have not used the option to omit a specific piece of information corresponding to intellectual property, know-how or the results of innovation. Furthermore, we publish the [Pillar 3 Report 2023](#).
- We also adhere to other multiple non-financial reporting guidelines, such as the EU's Non-Financial Reporting Directive (2014), to which we fully adhere. The required reference table can be found in Section [Non-Financial Reporting Directive](#). We are also committed to the UN Principles for Responsible Banking of which we also provide an overview in Section [Principles for Responsible Banking](#). De Volksbank also structures its disclosure on sustainability risks along the lines of the TCFD guidelines, see Section [Task Force on Climate-Related Financial Disclosures](#) for more details and the reference table.
- This IAR was published on 8 March 2024. The frequency of our reporting is annually. We report on calendar year 2023, which runs from 1 January up to and including 31 December 2023. This goes for all the information in the IAR.
- The description of de Volksbank's approach to acquisitions and disposals applies to both financial and non-financial information. For more detailed information, see Section [Acquisitions and disposals](#).
- The contents of this IAR originate from internal and external sources. In the case of external sources, we have added a reference to the source.

- In order to deliver a relevant IAR that addresses the most important topics, we performed a materiality assessment. In line with the Global Reporting Initiative, we report explicitly on our 10 material topics and use references and headers. The process followed and its outcome, can be found in Section [2.1.3 Material topics](#).
- This IAR has been compiled by a multidisciplinary team. The Social Impact Committee assessed the contents and progress for the non-financial information. The Executive Committee and Supervisory Board of de Volksbank ultimately approved this IAR.
- We attach great value to producing a reliable and accurate report. On that account, we asked EY, our independent auditor, for a combination of limited assurance and reasonable assurance on the most relevant non-financial information included in this IAR. Details of the assurance engagement provided to EY were discussed by members of the ExCo as well as the AC of the Supervisory Board. EY performed its work in accordance with Dutch Assurance Standard 3810N 'Assurance engagements relating to sustainability reports' as drawn up by the Netherlands Institute of Chartered Accountants (NBA). No assurance is provided for any forward-looking information. The assurance report on non-financial information by EY can be found in Section [Non-financial assurance report of the independent auditor](#). The report on the financial statements can be found in Section [Independent auditor's report](#).

We highly value your opinion on this report, our business operations and (potential) issues in the value and supply chains in which we are active. We therefore invite you to ask questions, provide feedback and share tips. Please let us know via [verantwoord.ondernemen@devolksbank.nl](mailto:verantwoord.ondernemen@devolksbank.nl).

## DISCLAIMER

Forward-looking statements reflect our convictions, plans and expectations at the time of publication. Words such as 'ambition', 'plans', 'intention' and 'expectation' are intended to clearly indicate such statements in our report. Information about the future is based on goals and informed estimates. Nevertheless, new insights and external factors may negate this information or lead to materially different outcomes. Although we do not intend to publicly update this information during the year, we may however change and/or delete this forward-looking information in future publications, such as the interim results.

## EU Taxonomy tables

### 0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

| Main KPI               | Green asset ratio (GAR) stock                  | Total environmentally sustainable assets<br>(in € millions)     | KPI <sup>1</sup> | KPI <sup>2</sup> | % coverage<br>(over total assets) <sup>3</sup> | % of assets excluded from the numerator of the GAR<br>(Article 7(2) and (3) and Section 1.1.2. of Annex V) | % of assets excluded from the denominator of the GAR<br>(Article 7(1) and Section 1.2.4 of Annex V) |
|------------------------|--|---|------------------|------------------|--|--|---|
|                        |  |   |                  |                  |  |  |   |
|                        |  | 7,994   | 13.38%           | 13.41%           | 11.22%   | 10.60%   | 16.17%  |
|                        |  | Total environmentally sustainable activities<br>(in € millions) | KPI              | KPI              | % coverage<br>(over total assets)              | % of assets excluded from the numerator of the GAR<br>(Article 7(2) and (3) and Section 1.1.2. of Annex V) | % of assets excluded from the denominator of the GAR<br>(Article 7(1) and Section 1.2.4 of Annex V) |
| <i>Additional KPIs</i> | <i>GAR (flow)</i>                              | 737   | 9.18%            | 9.19%            | 7.22%  | 29.73%   | 21.27%  |
|                        | <i>Trading book<sup>4</sup></i>                |   |                  |                  |  |  |   |
|                        | <i>Financial guarantees</i>                    |   |                  |                  |  |  |   |
|                        | <i>Assets under management</i>                 | 128   | 3.38%            | 3.30%            |  |  |   |
|                        | <i>Fees and commissions income<sup>5</sup></i> |   |                  |                  |  |  |   |

1 Based on the Turnover KPI of the counterparty

2 Based on the CapEx KPI of the counterparty, except for lending activities where for general lending Turnover KPI is used

3 % of assets covered by the KPI over banks' total assets

4 For credit institutions that do not meet the conditions of Article 94(1) of the CRR or the conditions set out in Article 325a(1) of the CRR

5 Fees and commissions income from services other than lending and AuM



a    b    c    d    e    f    g    h    i    j    ab    ac    ad    ae    af    ag    ah    ai    aj    ak    al    am    an    ao    ap    bg    bh    bi    bj    bk

Disclosure 31-12-2023

Disclosure 31-12-2022

| In € millions   | Total gross carrying amount | Climate Change Mitigation (CCM) |                       |                       |                          |                   |                          | Climate Change Adaptation (CCA) |                   |                          |                   | TOTAL (CCM + CCA) <sup>1</sup> |                       |                   |                          | Total gross carrying amount | Climate Change Mitigation (CCM) |                   |                          |                   |                          |                       | Climate Change Adaptation (CCA) |                          |                   |                          | TOTAL (CCM + CCA) <sup>1</sup> |                   |                          |                   |                   |  |
|---|-----------------------------|---------------------------------|-----------------------|-----------------------|--------------------------|-------------------|--------------------------|---------------------------------|-------------------|--------------------------|-------------------|--------------------------------|-----------------------|-------------------|--------------------------|-----------------------------|---------------------------------|-------------------|--------------------------|-------------------|--------------------------|-----------------------|---------------------------------|--------------------------|-------------------|--------------------------|--------------------------------|-------------------|--------------------------|-------------------|-------------------|--|
|   |                             | Of which taxonomy-eligible      |                       |                       |                          |                   |                          | Of which taxonomy-eligible      |                   |                          |                   | Of which taxonomy-eligible     |                       |                   |                          |                             | Of which taxonomy-eligible      |                   |                          |                   |                          |                       | Of which taxonomy-eligible      |                          |                   |                          | Of which taxonomy-eligible     |                   |                          |                   |                   |  |
|   |                             | Of which taxonomy-aligned       |                       |                       |                          |                   |                          | Of which taxonomy-aligned       |                   |                          |                   | Of which taxonomy-aligned      |                       |                   |                          |                             | Of which taxonomy-aligned       |                   |                          |                   |                          |                       | Of which taxonomy-aligned       |                          |                   |                          | Of which taxonomy-aligned      |                   |                          |                   |                   |  |
|   |                             | Of which Use of Proceeds        |                       | Of which transitional |                          | Of which enabling |                          | Of which Use of Proceeds        |                   | Of which enabling        |                   | Of which Use of Proceeds       |                       | Of which enabling |                          |                             | Of which Use of Proceeds        |                   | Of which transitional    |                   | Of which enabling        |                       | Of which Use of Proceeds        |                          | Of which enabling |                          | Of which Use of Proceeds       |                   | Of which transitional    |                   | Of which enabling |  |
|   |                             | Of which Use of Proceeds        | Of which transitional | Of which enabling     | Of which Use of Proceeds | Of which enabling | Of which Use of Proceeds | Of which transitional           | Of which enabling | Of which Use of Proceeds | Of which enabling | Of which Use of Proceeds       | Of which transitional | Of which enabling | Of which Use of Proceeds |                             | Of which transitional           | Of which enabling | Of which Use of Proceeds | Of which enabling | Of which Use of Proceeds | Of which transitional | Of which enabling               | Of which Use of Proceeds | Of which enabling | Of which Use of Proceeds | Of which transitional          | Of which enabling | Of which Use of Proceeds | Of which enabling |                   |  |
| 33 <b>Financial and Non-financial undertakings</b>                            | 5,804                       |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 34 SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations | 3,093                       |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 35 <i>Loans and advances</i>  | 2,620                       |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 36 <i>- of which loans collateralised by commercial immovable property</i>    | 563                         |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 38 <i>Debt securities</i>   | 471                         |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 39 <i>Equity instruments</i>  | 2                           |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 40 Non-EU country counterparties not subject to NFRD disclosure obligations   | 2,711                       |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 41 <i>Loans and advances</i>  | 2,471                       |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 42 <i>Debt securities</i>   | 231                         |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 43 <i>Equity instruments</i>  | 9                           |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 44 <b>Derivatives</b>   | 741                         |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 45 <b>On demand interbank loans</b>   | 39                          |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 46 <b>Cash and cash-related assets</b>  | 28                          |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 47 <b>Other categories of assets (e.g. Goodwill, commodities etc.)</b>        | 943                         |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 48 <b>Total GAR assets</b>  | 59,731                      | 50,195                          | 7,994                 | 7,886                 | 18                       | 13                | 55                       | -                               | -                 | -                        | 50,709            | 7,994                          | 7,886                 | 18                | 13                       | 60,589                      | 46,888                          | -                 | -                        | -                 | -                        | 8                     | -                               | -                        | -                 | -                        | 47,223                         | -                 | -                        | -                 | -                 |  |
| 49 <b>Other assets not covered for GAR calculation</b>                        | 11,522                      |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 50 Central governments and Supranational issuers                              | 4,669                       |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 51 Central banks exposure   | 6,336                       |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 52 Trading book   | 517                         |                                 |                       |                       |                          |                   |                          |                                 |                   |                          |                   |                                |                       |                   |                          |                             |                                 |                   |                          |                   |                          |                       |                                 |                          |                   |                          |                                |                   |                          |                   |                   |  |
| 53 <b>Total assets</b>  | 71,253                      | 50,195                          | 7,994                 | 7,886                 | 18                       | 13                | 55                       | -                               | -                 | -                        | 50,709            | 7,994                          | 7,886                 | 18                | 13                       | 73,322                      | 46,888                          | -                 | -                        | -                 | -                        | 8                     | -                               | -                        | -                 | -                        | 47,223                         | -                 | -                        | -                 | -                 |  |

**Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations**

a b c d e f g h i j ab ac ad ae af ag ah ai aj ak al am an ao ap bg bh bi bj bk

Disclosure 31-12-2023

Disclosure 31-12-2022

| In € millions | Total gross carrying amount   | Climate Change Mitigation (CCM) |                       |                   | Climate Change Adaptation (CCA) |                           |                       |                   | TOTAL (CCM + CCA) <sup>1</sup> |                           |                       |                   | Total gross carrying amount | Climate Change Mitigation (CCM) |                          |                            | Climate Change Adaptation (CCA) |   |                          |                       | TOTAL (CCM + CCA) <sup>1</sup> |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
|---------------|-------------------------------|---------------------------------|-----------------------|-------------------|---------------------------------|---------------------------|-----------------------|-------------------|--------------------------------|---------------------------|-----------------------|-------------------|-----------------------------|---------------------------------|--------------------------|----------------------------|---------------------------------|---|--------------------------|-----------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
|               |                               | Of which taxonomy-eligible      |                       |                   |                                 |                           |                       |                   | Of which taxonomy-eligible     |                           |                       |                   |                             |                                 |                          | Of which taxonomy-eligible |                                 |   |                          |                       |                                |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
|               |                               | Of which taxonomy-aligned       |                       |                   |                                 | Of which taxonomy-aligned |                       |                   |                                | Of which taxonomy-aligned |                       |                   |                             | Of which taxonomy-aligned       |                          |                            |                                 |   |                          |                       |                                |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
|               |                               | Of which Use of Proceeds        | Of which transitional | Of which enabling |                                 | Of which Use of Proceeds  | Of which transitional | Of which enabling |                                | Of which Use of Proceeds  | Of which transitional | Of which enabling |                             |                                 | Of which Use of Proceeds | Of which transitional      | Of which enabling               |   | Of which Use of Proceeds | Of which transitional | Of which enabling              |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
|               |                               |                                 |                       |                   |                                 |                           |                       |                   |                                |                           |                       |                   |                             |                                 |                          |                            |                                 |   |                          |                       |                                |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| 54            | Financial guarantees          | -                               | -                     | -                 | -                               | -                         | -                     | -                 | -                              | -                         | -                     | -                 | -                           | -                               | -                        | -                          | -                               | - | -                        | -                     | -                              | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 55            | Assets under management       | 3,791                           | 266                   | 126               | 11                              | 1                         | 74                    | 3                 | 2                              | -                         | 1                     | 282               | 128                         | 13                              | 1                        | 75                         | -                               | - | -                        | -                     | -                              | - | - | - | - | - | - | - | - | - | - | - | - | - | - |   |
| 56            | - Of which debt securities    | 138                             | 98                    | 11                | 11                              | -                         | -                     | 2                 | 2                              | 2                         | -                     | 102               | 13                          | 13                              | -                        | -                          | -                               | - | -                        | -                     | -                              | - | - | - | - | - | - | - | - | - | - | - | - | - | - |   |
| 57            | - Of which equity instruments | 840                             | 168                   | 115               | -                               | 1                         | 74                    | 2                 | -                              | -                         | 1                     | 180               | 115                         | -                               | 1                        | 75                         | -                               | - | -                        | -                     | -                              | - | - | - | - | - | - | - | - | - | - | - | - | - | - |   |

<sup>1</sup> Includes exposures towards counterparties that did not specify whether activities are CCM or CCA taxonomy-eligible or taxonomy-aligned.



## 2. GAR sector information (Turnover)

| In € millions  |  | a  | b  | e  | f  | y  | z  |
|--|--|--|--|--|--|--|--|
|  |  | <b>Climate Change Mitigation (CCM)</b>   | <b>Climate Change Adaptation (CCA)</b>             | <b>Climate Change Mitigation (CCM)</b>   | <b>Climate Change Adaptation (CCA)</b>             | <b>TOTAL (CCM + CCA)</b>   | <b>TOTAL (CCM + CCA)</b>                                 |
| Breakdown by sector - NACE 4 digits level (code and label) |  | Non-Financial corporates (Subject to NFRD)<br>Gross carrying amount (eligible) | Of which environmentally sustainable (CCM aligned) | Non-Financial corporates (Subject to NFRD)<br>Gross carrying amount (eligible) | Of which environmentally sustainable (CCA aligned) | Non-Financial corporates (Subject to NFRD)<br>Gross carrying amount (eligible) | Of which environmentally sustainable (CCM + CCA aligned) |
| 1  | 27.51 - Manufacture of electric domestic appliances      | 3  | 1  | -  | -  | 3  | 1  |
| 2  | 27.90 - Manufacture of other electrical equipment        | 1  | 1  | -  | -  | 1  | 1  |
| 3  | 35.11 - Production of electricity                        | 11   | -  | -  | -  | 11   | -  |
| 4  | 35.13 - Distribution of electricity                      | 39   | 29   | -  | -  | 39   | 29   |
| 5  | 43.99 - Other specialised construction activities n.e.c. | 26   | 19   | -  | -  | 26   | 19   |
| 6  | 46.43 - Wholesale of electrical household appliances     | 26   | -  | 5  | -  | 31   | -  |
| 7  | 49.39 - Other passenger land transport n.e.c.            | 56   | -  | -  | -  | 56   | -  |
| 8  | 52.29 - Other transportation support activities          | 5  | -  | -  | -  | 5  | -  |
| 9  | 61.10 -Wired telecommunications activities               | 3  | -  | -  | -  | 3  | -  |
| 10   | 64.20 - Activities of holding companies                  | 18   | 1  | -  | -  | 18   | 1  |
| 11   | 68.10 - Buying and selling of own real estate            | 13   | 4  | -  | -  | 13   | 4  |
| 12   | 96.09 - Other personal service activities n.e.c.         | 31   | -  | -  | -  | 31   | -  |

3. GAR KPI stock (Turnover)

a b c d e f g h i aa ab ac ad ae af ag ah ai aj ak al am an ao bf bg bh bi bj bk

Disclosure 31-12-2023

Disclosure 31-12-2022

|  | Disclosure 31-12-2023   |              |              |              |   |  |  |  |              |              |  | Disclosure 31-12-2022              |  |              |  |              |  |  |                                    |
|--|---|--------------|--------------|--------------|---|--|--|--|--------------|--------------|--|------------------------------------|--|--------------|--|--------------|--|--|------------------------------------|
|  | Climate Change Mitigation (CCM)   |              |              |              |   | Climate Change Adaptation (CCA)                      |  | TOTAL (CCM + CCA) <sup>1</sup>                       |              |              |  | Proportion of total assets covered | Climate Change Mitigation (CCM)  |              | Climate Change Adaptation (CCA)  |              | TOTAL (CCM + CCA) <sup>1</sup>                       |  | Proportion of total assets covered |
|  | Proportion of total covered assets taxonomy-eligible  |              |              |              |   | Proportion of total covered assets taxonomy-eligible |  | Proportion of total covered assets taxonomy-eligible |              |              |  |                                    | Proportion of total covered assets taxonomy-eligible                   |              | Proportion of total covered assets taxonomy-eligible                   |              | Proportion of total covered assets taxonomy-eligible |  |                                    |
|  | Proportion of total covered assets taxonomy-aligned   |              |              |              |   | Proportion of total covered assets taxonomy-aligned  |  | Proportion of total covered assets taxonomy-aligned  |              |              |  |                                    | Proportion of total covered assets taxonomy-aligned                    |              | Proportion of total covered assets taxonomy-aligned                    |              | Proportion of total covered assets taxonomy-aligned  |  |                                    |
| Of which Use of Proceeds<br>Of which transitional<br>Of which enabling |   |              |              |              | Of which Use of Proceeds<br>Of which enabling |  | Of which Use of Proceeds<br>Of which transitional<br>Of which enabling |  |              |              | Of which Use of Proceeds<br>Of which transitional<br>Of which enabling |                                    | Of which Use of Proceeds<br>Of which transitional<br>Of which enabling |              | Of which Use of Proceeds<br>Of which transitional<br>Of which enabling |              |  |  |                                    |
| GAR - Covered assets in both numerator and denominator                 |   |              |              |              |   |  |  |  |              |              |  |                                    |  |              |  |              |  |  |                                    |
| 1  | Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation | 84.04        | 13.38        | 13.20        | 0.03  | 0.02   | 0.09   | 84.90  | 13.38        | 13.20        | 0.03   | 0.02                               | 73.23  | 77.39        | 0.01   | 77.94        | 69.75  |  |                                    |
| 2  | <b>Financial undertakings</b>   | 1.09         | 0.09         |              |   |  | 0.08   | 1.95   | 0.09         |              |  |                                    | 3.46   | 0.72         |  | 1.13         | 3.34   |  |                                    |
| 3  | Credit institutions   | 0.87         | 0.09         |              |   |  | 0.08   | 1.71   | 0.09         |              |  |                                    | 3.11   | 0.63         |  | 1.03         | 3.10   |  |                                    |
| 4  | <i>Loans and advances</i>   | 0.00         |              |              |   |  |  | 0.71   |              |              |  |                                    | 1.53   | 0.43         |  | 0.77         | 2.46   |  |                                    |
| 5  | <i>Debt securities, including UoP</i>   | 0.87         | 0.09         |              |   |  | 0.08   | 1.00   | 0.09         |              |  |                                    | 1.58   | 0.21         |  | 0.26         | 0.63   |  |                                    |
| 7  | Other financial corporations  | 0.22         |              |              |   |  | 0.01   | 0.23   |              |              |  |                                    | 0.35   | 0.09         |  | 0.09         | 0.24   |  |                                    |
| 8  | <i>of which investment firms</i>  | 0.03         |              |              |   |  |  | 0.03   |              |              |  |                                    | 0.03   |              |  |              |  |  |                                    |
| 10   | <i>- Debt securities, including UoP</i>   | 0.03         |              |              |   |  |  | 0.03   |              |              |  |                                    | 0.03   |              |  |              |  |  |                                    |
| 20   | <b>Non-financial undertakings</b>   | 0.39         | 0.09         | 0.03         | 0.02  | 0.01   | 0.01   | 0.40   | 0.09         | 0.03         | 0.02   | 0.57                               | 0.17   | 0.01         | 0.32   | 0.49         |  |  |                                    |
| 22   | <i>Debt securities, including UoP</i>   | 0.39         | 0.09         | 0.03         | 0.02  | 0.01   | 0.01   | 0.40   | 0.09         | 0.03         | 0.02   | 0.57                               | 0.17   | 0.01         | 0.32   | 0.49         |  |  |                                    |
| 24   | <b>Households</b>   | 82.55        | 13.20        | 13.20        |   |  |  | 82.55  | 13.20        | 13.20        |  |                                    | 69.20  | 76.50        |  | 76.50        | 65.93  |  |                                    |
| 25   | <i>of which loans collateralised by residential immovable property</i>                          | 82.52        | 13.20        | 13.20        |   |  |  | 82.52  | 13.20        | 13.20        |  |                                    | 69.18  | 76.48        |  | 76.48        | 65.92  |  |                                    |
| 26   | <i>of which building renovation loans</i>   | 0.02         |              |              |   |  |  | 0.02   |              |              |  |                                    | 0.01   | 0.01         |  | 0.01         | 0.01   |  |                                    |
| 27   | <i>of which motor vehicle loans</i>   | 0.02         |              |              |   |  |  | 0.02   |              |              |  |                                    | 0.01   | 0.01         |  | 0.01         | 0.01   |  |                                    |
| 32   | <b>Total GAR assets</b>   | <b>84.04</b> | <b>13.38</b> | <b>13.20</b> | <b>0.03</b>                                   | <b>0.02</b>  | <b>0.09</b>  | <b>84.90</b>   | <b>13.38</b> | <b>13.20</b> | <b>0.03</b>  | <b>0.02</b>                        | <b>83.83</b>   | <b>77.39</b> | <b>0.01</b>  | <b>77.94</b> | <b>82.63</b>   |  |                                    |

1 Includes exposures towards counterparties that did not specify whether activities are CCM or CCA taxonomy-eligible or taxonomy-aligned.

4. GAR KPI flow (Turnover)

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|    | Climate Change Mitigation (CCM)  |                       |                   |             | Climate Change Adaptation (CCA)                      |                   |  | TOTAL (CCM + CCA) <sup>1</sup>                       |                       |                   |             | Proportion of total new assets covered |              |
|----|--|-----------------------|-------------------|-------------|--|-------------------|--|--|-----------------------|-------------------|-------------|--|--------------|
|    | Proportion of total covered assets taxonomy-eligible   |                       |                   |             | Proportion of total covered assets taxonomy-eligible |                   |  | Proportion of total covered assets taxonomy-eligible |                       |                   |             |  |              |
|    | Proportion of total covered assets taxonomy-aligned  |                       |                   |             | Proportion of total covered assets taxonomy-aligned  |                   |  | Proportion of total covered assets taxonomy-aligned  |                       |                   |             |  |              |
|    | Of which Use of Proceeds   | Of which transitional | Of which enabling |             | Of which Use of Proceeds                             | Of which enabling |  | Of which Use of Proceeds                             | Of which transitional | Of which enabling |             |  |              |
|    | % (compared to flow of total eligible assets)  |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
|    | <b>GAR - Covered assets in both numerator and denominator</b>                                    |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 1  | Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation  | 48.92                 | 9.18              | 8.94        | 0.05   | 0.20              |  |  | 52.73                 | 9.18              | 8.94        | 0.05                                   | 49.01        |
| 2  | <b>Financial undertakings</b>  | 1.46                  | 0.18              |             |  | 0.20              |  |  | 5.28                  | 0.18              |             |  | 11.36        |
| 3  | Credit institutions  | 0.74                  | 0.18              |             |  | 0.14              |  |  | 4.50                  | 0.18              |             |  | 10.54        |
| 4  | Loans and advances   |                       |                   |             |  |                   |  |  | 3.47                  |                   |             |  | 7.34         |
| 5  | Debt securities, including UoP   | 0.74                  | 0.18              |             |  | 0.14              |  |  | 1.03                  | 0.18              |             |  | 3.20         |
| 6  | Equity instruments   |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 7  | Other financial corporations   | 0.72                  |                   |             |  | 0.06              |  |  | 0.78                  |                   |             |  | 0.82         |
| 8  | of which investment firms  |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 9  | - Loans and advances   |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 10 | - Debt securities, including UoP   |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 20 | <b>Non-financial undertakings</b>  | 0.49                  | 0.05              |             | 0.05   |                   |  |  | 0.49                  | 0.05              |             | 0.05                                   | 0.67         |
| 21 | Loans and advances   |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 22 | Debt securities, including UoP   | 0.49                  | 0.05              |             | 0.05   |                   |  |  | 0.49                  | 0.05              |             | 0.05                                   | 0.67         |
| 23 | Equity instruments   |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 24 | <b>Households</b>  | 46.96                 | 8.94              | 8.94        |  |                   |  |  | 46.96                 | 8.94              | 8.94        |  | 36.98        |
| 25 | of which loans collateralised by residential immovable property                                  | 46.81                 | 8.94              | 8.94        |  |                   |  |  | 46.81                 | 8.94              | 8.94        |  | 36.86        |
| 26 | of which building renovation loans   | 0.07                  |                   |             |  |                   |  |  | 0.07                  |                   |             |  | 0.05         |
| 27 | of which motor vehicle loans   | 0.08                  |                   |             |  |                   |  |  | 0.08                  |                   |             |  | 0.06         |
| 28 | <b>Local governments financing</b>   |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 31 | <b>Collateral obtained by taking possession: residential and commercial immovable properties</b> |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 32 | <b>Total GAR assets</b>  | <b>48.92</b>          | <b>9.18</b>       | <b>8.94</b> | <b>0.05</b>  | <b>0.20</b>       |  |  | <b>52.73</b>          | <b>9.18</b>       | <b>8.94</b> | <b>0.05</b>                            | <b>78.73</b> |

1 Includes exposures towards counterparties that did not specify whether activities are CCM or CCA taxonomy-eligible or taxonomy-aligned.

5. KPI off-balance sheet exposures (Turnover)

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|   | a  | b    | c                        | d                     | e                 | f  | g    | h                        | i                 | aa   | ab   | ac                       | ad                    | ae                |  |
|---|--|------|--------------------------|-----------------------|-------------------|--|------|--------------------------|-------------------|------|--|--------------------------|-----------------------|-------------------|--|
|   | Climate Change Mitigation (CCM)                      |      |                          |                       |                   | Climate Change Adaptation (CCA)                      |      |                          |                   |      | TOTAL (CCM + CCA) <sup>1</sup>                       |                          |                       |                   |  |
|   | Proportion of total covered assets taxonomy-eligible |      |                          |                       |                   | Proportion of total covered assets taxonomy-eligible |      |                          |                   |      | Proportion of total covered assets taxonomy-eligible |                          |                       |                   |  |
| % (compared to total eligible off-balance sheet assets) | Proportion of total covered assets taxonomy-aligned  |      |                          |                       |                   | Proportion of total covered assets taxonomy-aligned  |      |                          |                   |      | Proportion of total covered assets taxonomy-aligned  |                          |                       |                   |  |
|   |  |      | Of which Use of Proceeds | Of which transitional | Of which enabling |  |      | Of which Use of Proceeds | Of which enabling |      |  | Of which Use of Proceeds | Of which transitional | Of which enabling |  |
| 1 Financial guarantees (FinGuar KPI)                    | -  | -    | -                        | -                     | -                 | -  | -    | -                        | -                 | -    | -  | -                        | -                     | -                 |  |
| 2 Assets under management (AuM KPI)                     | 7.02   | 3.32 | 0.29                     | 0.03                  | 1.95              | 0.08   | 0.05 | -                        | 0.03              | 7.44 | 3.38   | 0.34                     | 0.03                  | 1.98              |  |

1 Includes exposures towards counterparties that did not specify whether activities are CCM or CCA taxonomy-eligible or taxonomy-aligned.

**1. Assets for the calculation of GAR (CapEx)**

|   | a  | b                               | c                     | d                 | e     | f | g                               | h                     | i                 | j | ab | ac                             | ad                    | ae                | af | ag                    | ah                          | ai                              | aj                    | ak                | al | am | an                              | ao                    | ap                | bg     | bh  | bi                             | bj                    | bk                |   |   |  |
|---|--|---------------------------------|-----------------------|-------------------|-------|---|---------------------------------|-----------------------|-------------------|---|----|--------------------------------|-----------------------|-------------------|----|-----------------------|-----------------------------|---------------------------------|-----------------------|-------------------|----|----|---------------------------------|-----------------------|-------------------|--------|-----|--------------------------------|-----------------------|-------------------|---|---|--|
|   | Disclosure 31-12-2023  |                                 |                       |                   |       |   |                                 |                       |                   |   |    |                                |                       |                   |    | Disclosure 31-12-2022 |                             |                                 |                       |                   |    |    |                                 |                       |                   |        |     |                                |                       |                   |   |   |  |
| In € millions   | Total gross carrying amount  | Climate Change Mitigation (CCM) |                       |                   |       |   | Climate Change Adaptation (CCA) |                       |                   |   |    | TOTAL (CCM + CCA) <sup>1</sup> |                       |                   |    |                       | Total gross carrying amount | Climate Change Mitigation (CCM) |                       |                   |    |    | Climate Change Adaptation (CCA) |                       |                   |        |     | TOTAL (CCM + CCA) <sup>1</sup> |                       |                   |   |   |  |
|   |  | Of which taxonomy-eligible      |                       |                   |       |   | Of which taxonomy-eligible      |                       |                   |   |    | Of which taxonomy-eligible     |                       |                   |    |                       |                             | Of which taxonomy-eligible      |                       |                   |    |    | Of which taxonomy-eligible      |                       |                   |        |     |                                |                       |                   |   |   |  |
|   |  | Of which taxonomy-aligned       |                       |                   |       |   | Of which taxonomy-aligned       |                       |                   |   |    | Of which taxonomy-aligned      |                       |                   |    |                       |                             | Of which taxonomy-aligned       |                       |                   |    |    | Of which taxonomy-aligned       |                       |                   |        |     |                                |                       |                   |   |   |  |
|   |  | Of which Use of Proceeds        | Of which transitional | Of which enabling |       |   | Of which Use of Proceeds        | Of which transitional | Of which enabling |   |    | Of which Use of Proceeds       | Of which transitional | Of which enabling |    |                       |                             | Of which Use of Proceeds        | Of which transitional | Of which enabling |    |    | Of which Use of Proceeds        | Of which transitional | Of which enabling |        |     | Of which Use of Proceeds       | Of which transitional | Of which enabling |   |   |  |
| <b>GAR - Covered assets in both numerator and denominator</b> |  |                                 |                       |                   |       |   |                                 |                       |                   |   |    |                                |                       |                   |    |                       |                             |                                 |                       |                   |    |    |                                 |                       |                   |        |     |                                |                       |                   |   |   |  |
| 1   | Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation  | 52,176                          | 50,238                | 8,007             | 7,886 | 5 | 17                              | 28                    | -                 | - | -  | 50,776                         | 8,007                 | 7,886             | 5  | 17                    | 51,145                      | 46,557                          | -                     | -                 | -  | -  | 8                               | -                     | -                 | -      | -   | 46,663                         | -                     | -                 | - | - |  |
| 2   | <b>Financial undertakings</b>  | 2,464                           | 685                   | 54                | -     | - | -                               | 26                    | -                 | - | -  | 1,221                          | 54                    | -                 | -  | -                     | 2,445                       | 102                             | -                     | -                 | -  | -  | -                               | -                     | -                 | -      | 105 | -                              | -                     | -                 | - |   |  |
| 3   | Credit institutions  | 2,215                           | 546                   | 53                | -     | - | -                               | 26                    | -                 | - | -  | 1,075                          | 53                    | -                 | -  | -                     | 2,269                       | 60                              | -                     | -                 | -  | -  | -                               | -                     | -                 | 63     | -   | -                              | -                     | -                 |   |   |  |
| 4   | <i>Loans and advances</i>  | 1,090                           | 2                     | -                 | -     | - | -                               | -                     | -                 | - | -  | 425                            | -                     | -                 | -  | -                     | 1,805                       | -                               | -                     | -                 | -  | -  | -                               | -                     | -                 | -      | -   | -                              | -                     | -                 |   |   |  |
| 5   | <i>Debt securities, including UoP</i>  | 1,125                           | 544                   | 53                | -     | - | -                               | 26                    | -                 | - | -  | 650                            | 53                    | -                 | -  | -                     | 464                         | 60                              | -                     | -                 | -  | -  | -                               | -                     | -                 | 63     | -   | -                              | -                     | -                 |   |   |  |
| 7   | Other financial corporations   | 249                             | 139                   | 1                 | -     | - | -                               | -                     | -                 | - | -  | 146                            | 1                     | -                 | -  | -                     | 176                         | 42                              | -                     | -                 | -  | -  | -                               | -                     | -                 | 42     | -   | -                              | -                     | -                 |   |   |  |
| 8   | <i>of which investment firms</i>   | 19                              | 19                    | -                 | -     | - | -                               | -                     | -                 | - | -  | 19                             | -                     | -                 | -  | -                     | -                           | -                               | -                     | -                 | -  | -  | -                               | -                     | -                 | -      | -   | -                              | -                     | -                 |   |   |  |
| 10  | <i>- Debt securities, including UoP</i>  | 19                              | 19                    | -                 | -     | - | -                               | -                     | -                 | - | -  | 19                             | -                     | -                 | -  | -                     | -                           | -                               | -                     | -                 | -  | -  | -                               | -                     | -                 | -      | -   | -                              | -                     | -                 |   |   |  |
| 20  | <b>Non-financial undertakings</b>  | 403                             | 244                   | 68                | -     | 5 | 17                              | 2                     | -                 | - | -  | 246                            | 68                    | -                 | 5  | 17                    | 356                         | 107                             | -                     | -                 | -  | -  | 8                               | -                     | -                 | -      | 210 | -                              | -                     | -                 | - |   |  |
| 22  | <i>Debt securities, including UoP</i>  | 403                             | 244                   | 68                | -     | 5 | 17                              | 2                     | -                 | - | -  | 246                            | 68                    | -                 | 5  | 17                    | 356                         | 107                             | -                     | -                 | -  | -  | 8                               | -                     | -                 | -      | 210 | -                              | -                     | -                 | - |   |  |
| 24  | <b>Households</b>  | 49,309                          | 49,309                | 7,886             | 7,886 | - | -                               | -                     | -                 | - | -  | 49,309                         | 7,886                 | 7,886             | -  | -                     | 48,344                      | 46,348                          | -                     | -                 | -  | -  | -                               | -                     | -                 | 46,348 | -   | -                              | -                     | -                 |   |   |  |
| 25  | <i>of which loans collateralised by residential immovable property</i>                           | 49,290                          | 49,290                | 7,886             | 7,886 | - | -                               | -                     | -                 | - | -  | 49,290                         | 7,886                 | 7,886             | -  | -                     | 48,334                      | 46,338                          | -                     | -                 | -  | -  | -                               | -                     | -                 | 46,338 | -   | -                              | -                     | -                 |   |   |  |
| 26  | <i>of which building renovation loans</i>  | 10                              | 10                    | -                 | -     | - | -                               | -                     | -                 | - | -  | 10                             | -                     | -                 | -  | -                     | 6                           | 6                               | -                     | -                 | -  | -  | -                               | -                     | -                 | 6      | -   | -                              | -                     | -                 |   |   |  |
| 27  | <i>of which motor vehicle loans</i>  | 9                               | 9                     | -                 | -     | - | -                               | -                     | -                 | - | -  | 9                              | -                     | -                 | -  | -                     | 4                           | 4                               | -                     | -                 | -  | -  | -                               | -                     | -                 | 4      | -   | -                              | -                     | -                 |   |   |  |
| 28  | <b>Local governments financing</b>   | -                               | -                     | -                 | -     | - | -                               | -                     | -                 | - | -  | -                              | -                     | -                 | -  | -                     | -                           | -                               | -                     | -                 | -  | -  | -                               | -                     | -                 | -      | -   | -                              | -                     | -                 |   |   |  |
| 31  | <b>Collateral obtained by taking possession: residential and commercial immovable properties</b> | -                               | -                     | -                 | -     | - | -                               | -                     | -                 | - | -  | -                              | -                     | -                 | -  | -                     | -                           | -                               | -                     | -                 | -  | -  | -                               | -                     | -                 | -      | -   | -                              | -                     | -                 |   |   |  |
| 32  | <b>Assets excluded from the numerator for GAR calculation (covered in the denominator)</b>       | 7,555                           | -                     | -                 | -     | - | -                               | -                     | -                 | - | -  | -                              | -                     | -                 | -  | -                     | 9,444                       | -                               | -                     | -                 | -  | -  | -                               | -                     | -                 | 9,444  | -   | -                              | -                     | -                 |   |   |  |

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|    | In € millions  | Total gross carrying amount | Climate Change Mitigation (CCM) |   | Climate Change Adaptation (CCA) |                   | TOTAL (CCM + CCA) <sup>1</sup> |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
|----|--|-----------------------------|---------------------------------|---|---------------------------------|-------------------|--------------------------------|---|---|---|---|--------|-------|-------|---|----|--------|--------|---|---|---|---|---|---|---|---|--------|---|---|---|---|
|    |  |                             | Of which taxonomy-eligible      |   | Of which taxonomy-eligible      |                   | Of which taxonomy-eligible     |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
|    |  |                             | Of which taxonomy-aligned       |   | Of which taxonomy-aligned       |                   | Of which taxonomy-aligned      |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
|    |  |                             | Of which Use of Proceeds        | Of which transitional Of which enabling | Of which Use of Proceeds        | Of which enabling | Of which Use of Proceeds       | Of which transitional Of which enabling |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 33 | <b>Financial and Non-financial undertakings</b>                            | 5,804                       |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 34 | SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations | 3,093                       |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 35 | <i>Loans and advances</i>  | 2,620                       |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 36 | - of which loans collateralised by commercial immovable property           | 563                         |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 38 | <i>Debt securities</i>   | 471                         |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 39 | <i>Equity instruments</i>  | 2                           |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 40 | Non-EU country counterparties not subject to NFRD disclosure obligations   | 2,711                       |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 41 | <i>Loans and advances</i>  | 2,471                       |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 42 | <i>Debt securities</i>   | 231                         |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 43 | <i>Equity instruments</i>  | 9                           |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 44 | <b>Derivatives</b>   | 741                         |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 45 | <b>On demand interbank loans</b>   | 39                          |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 46 | <b>Cash and cash-related assets</b>  | 28                          |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 47 | <b>Other categories of assets (e.g. Goodwill, commodities etc.)</b>        | 943                         |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 48 | <b>Total GAR assets</b>  | 59,731                      | 50,238                          | 8,007                                   | 7,886                           | 5                 | 17                             | 28                                      | - | - | - | 50,776 | 8,007 | 7,886 | 5 | 17 | 60,589 | 46,557 | - | - | - | - | 8 | - | - | - | 46,663 | - | - | - | - |
| 49 | <b>Other assets not covered for GAR calculation</b>                        | 11,522                      |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 50 | Central governments and Supranational issuers                              | 4,669                       |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 51 | Central banks exposure   | 6,336                       |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 52 | Trading book   | 517                         |                                 |   |                                 |                   |                                |   |   |   |   |        |       |       |   |    |        |        |   |   |   |   |   |   |   |   |        |   |   |   |   |
| 53 | <b>Total assets</b>  | 71,253                      | 50,238                          | 8,007                                   | 7,886                           | 5                 | 17                             | 28                                      | - | - | - | 50,776 | 8,007 | 7,886 | 5 | 17 | 73,322 | 46,557 | - | - | - | - | 8 | - | - | - | 46,663 | - | - | - | - |

Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations

|                       |                               | a                               | b                     | c                 | d | e                               | f                     | g                 | h | i                              | j                     | ab                | ac  | ad                              | ae                    | af                    | ag | ah                              | ai                    | aj                | ak | al                             | am                    | an                | ao | ap | bg | bh | bi | bj | bk |   |   |   |
|-----------------------|-------------------------------|---------------------------------|-----------------------|-------------------|---|---------------------------------|-----------------------|-------------------|---|--------------------------------|-----------------------|-------------------|-----|---------------------------------|-----------------------|-----------------------|----|---------------------------------|-----------------------|-------------------|----|--------------------------------|-----------------------|-------------------|----|----|----|----|----|----|----|---|---|---|
| Disclosure 31-12-2023 |                               |                                 |                       |                   |   |                                 |                       |                   |   |                                |                       |                   |     |                                 |                       | Disclosure 31-12-2022 |    |                                 |                       |                   |    |                                |                       |                   |    |    |    |    |    |    |    |   |   |   |
| In € millions         | Total gross carrying amount   | Climate Change Mitigation (CCM) |                       |                   |   | Climate Change Adaptation (CCA) |                       |                   |   | TOTAL (CCM + CCA) <sup>1</sup> |                       |                   |     | Climate Change Mitigation (CCM) |                       |                       |    | Climate Change Adaptation (CCA) |                       |                   |    | TOTAL (CCM + CCA) <sup>1</sup> |                       |                   |    |    |    |    |    |    |    |   |   |   |
|                       |                               | Of which taxonomy-eligible      |                       |                   |   |                                 |                       |                   |   | Of which taxonomy-eligible     |                       |                   |     |                                 |                       |                       |    | Of which taxonomy-eligible      |                       |                   |    |                                |                       |                   |    |    |    |    |    |    |    |   |   |   |
|                       |                               | Of which taxonomy-aligned       |                       |                   |   | Of which taxonomy-aligned       |                       |                   |   | Of which taxonomy-aligned      |                       |                   |     | Of which taxonomy-aligned       |                       |                       |    | Of which taxonomy-aligned       |                       |                   |    |                                |                       |                   |    |    |    |    |    |    |    |   |   |   |
|                       |                               | Of which Use of Proceeds        | Of which transitional | Of which enabling |   | Of which Use of Proceeds        | Of which transitional | Of which enabling |   | Of which Use of Proceeds       | Of which transitional | Of which enabling |     | Of which Use of Proceeds        | Of which transitional | Of which enabling     |    | Of which Use of Proceeds        | Of which transitional | Of which enabling |    | Of which Use of Proceeds       | Of which transitional | Of which enabling |    |    |    |    |    |    |    |   |   |   |
| 54                    | Financial guarantees          | -                               | -                     | -                 | - | -                               | -                     | -                 | - | -                              | -                     | -                 | -   | -                               | -                     | -                     | -  | -                               | -                     | -                 | -  | -                              | -                     | -                 | -  | -  | -  | -  | -  | -  | -  | - | - | - |
| 55                    | Assets under management       | 3,791                           | 184                   | 125               | - | 2                               | 79                    | 1                 | - | -                              | -                     | 206               | 125 | -                               | 2                     | 79                    | -  | -                               | -                     | -                 | -  | -                              | -                     | -                 | -  | -  | -  | -  | -  | -  | -  | - | - | - |
| 56                    | - Of which debt securities    | 138                             | -                     | -                 | - | -                               | -                     | -                 | - | -                              | -                     | -                 | -   | -                               | -                     | -                     | -  | -                               | -                     | -                 | -  | -                              | -                     | -                 | -  | -  | -  | -  | -  | -  | -  | - | - | - |
| 57                    | - Of which equity instruments | 840                             | 184                   | 125               | - | 2                               | 79                    | 1                 | - | -                              | -                     | 206               | 125 | -                               | 2                     | 79                    | -  | -                               | -                     | -                 | -  | -                              | -                     | -                 | -  | -  | -  | -  | -  | -  | -  | - | - | - |

1 Includes exposures towards counterparties that did not specify whether activities are CCM or CCA taxonomy-eligible or taxonomy-aligned.

## 2. GAR sector information (CapEx)

| In € millions   |  | a   | b  | e   | f  | y   | z  |
|---|--|---|--|---|--|---|--|
|   |  | <b>Climate Change Mitigation (CCM)</b>        | <b>Climate Change Adaptation (CCA)</b>             | <b>Climate Change Mitigation (CCM)</b>        | <b>Climate Change Adaptation (CCA)</b>             | <b>TOTAL (CCM + CCA)</b>                      | <b>TOTAL (CCM + CCA)</b>                                 |
| Breakdown by sector - NACE 4 digits level<br>(code and label) |  | Non-Financial corporates<br>(Subject to NFRD) |  | Non-Financial corporates<br>(Subject to NFRD) |  | Non-Financial corporates<br>(Subject to NFRD) |  |
|   |  | Gross carrying amount (eligible)              | Of which environmentally sustainable (CCM aligned) | Gross carrying amount (eligible)              | Of which environmentally sustainable (CCA aligned) | Gross carrying amount (eligible)              | Of which environmentally sustainable (CCM + CCA aligned) |
| 1   | 27.51 - Manufacture of electric domestic appliances      | 5   | 1  | -   | -  | 5   | 1  |
| 2   | 27.90 - Manufacture of other electrical equipment        | 1   | 1  | -   | -  | 1   | 1  |
| 3   | 35.11 - Production of electricity                        | 11  | -  | -   | -  | 11  | -  |
| 4   | 35.13 - Distribution of electricity                      | 40  | 31   | -   | -  | 40  | 31   |
| 5   | 43.99 - Other specialised construction activities n.e.c. | 27  | 22   | -   | -  | 27  | 22   |
| 6   | 46.43 - Wholesale of electrical household appliances     | 32  | -  | 2   | -  | 34  | -  |
| 7   | 49.39 - Other passenger land transport n.e.c.            | 56  | -  | -   | -  | 56  | -  |
| 8   | 52.29 - Other transportation support activities          | 5   | -  | -   | -  | 5   | -  |
| 9   | 61.10 -Wired telecommunications activities               | 3   | -  | -   | -  | 3   | -  |
| 10  | 64.20 - Activities of holding companies                  | 18  | 4  | -   | -  | 18  | 4  |
| 11  | 68.10 - Buying and selling of own real estate            | 15  | 9  | -   | -  | 15  | 9  |
| 12  | 96.09 - Other personal service activities n.e.c.         | 31  | -  | -   | -  | 31  | -  |



3. GAR KPI stock (CapEx)

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|   | Disclosure 31-12-2023   |                   |              |                          |  |                   |             |                          |  |                   |             |                          | Disclosure 31-12-2022              |  |                   |  |                          |  |                   |                                    |
|---|---|-------------------|--------------|--------------------------|--|-------------------|-------------|--------------------------|--|-------------------|-------------|--------------------------|------------------------------------|--|-------------------|--|--------------------------|--|-------------------|------------------------------------|
|   | Climate Change Mitigation (CCM)   |                   |              |                          | Climate Change Adaptation (CCA)                      |                   |             |                          | TOTAL (CCM + CCA) <sup>1</sup>                       |                   |             |                          | Proportion of total assets covered | Climate Change Mitigation (CCM)                      |                   | Climate Change Adaptation (CCA)                      |                          | TOTAL (CCM + CCA) <sup>1</sup>                       |                   | Proportion of total assets covered |
|   | Proportion of total covered assets taxonomy-eligible  |                   |              |                          | Proportion of total covered assets taxonomy-eligible |                   |             |                          | Proportion of total covered assets taxonomy-eligible |                   |             |                          |                                    | Proportion of total covered assets taxonomy-eligible |                   | Proportion of total covered assets taxonomy-eligible |                          | Proportion of total covered assets taxonomy-eligible |                   |                                    |
|   | Proportion of total covered assets taxonomy-aligned   |                   |              |                          | Proportion of total covered assets taxonomy-aligned  |                   |             |                          | Proportion of total covered assets taxonomy-aligned  |                   |             |                          |                                    | Proportion of total covered assets taxonomy-aligned  |                   | Proportion of total covered assets taxonomy-aligned  |                          | Proportion of total covered assets taxonomy-aligned  |                   |                                    |
| Of which Use of Proceeds                                      | Of which transitional   | Of which enabling |              | Of which Use of Proceeds | Of which transitional                                | Of which enabling |             | Of which Use of Proceeds | Of which transitional                                | Of which enabling |             | Of which Use of Proceeds |                                    | Of which transitional                                | Of which enabling |  | Of which Use of Proceeds | Of which transitional                                | Of which enabling |                                    |
| <b>GAR - Covered assets in both numerator and denominator</b> |   |                   |              |                          |  |                   |             |                          |  |                   |             |                          |                                    |  |                   |  |                          |  |                   |                                    |
| 1   | Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation | 84.11             | 13.41        | 13.20                    | 0.01   | 0.03              | 0.05        | 85.01                    | 13.41  | 13.20             | 0.01        | 0.03                     | 73.23                              | 76.84  | 0.01              | 77.02  | 69.75                    |  |                   |                                    |
| 2   | <b>Financial undertakings</b>   | 1.15              | 0.09         |                          |  | 0.04              | 2.05        | 0.09                     |  |                   |             | 3.46                     | 0.17                               |  | 0.17              | 3.34   |                          |  |                   |                                    |
| 3   | Credit institutions   | 0.91              | 0.09         |                          |  | 0.04              | 1.80        | 0.09                     |  |                   |             | 3.11                     | 0.10                               |  | 0.10              | 3.10   |                          |  |                   |                                    |
| 4   | <i>Loans and advances</i>   | 0.00              |              |                          |  |                   | 0.71        |                          |  |                   |             | 1.53                     |                                    |  |                   | 2.46   |                          |  |                   |                                    |
| 5   | <i>Debt securities, including UoP</i>   | 0.91              | 0.09         |                          |  | 0.04              | 1.09        | 0.09                     |  |                   |             | 1.58                     | 0.10                               |  | 0.10              | 0.63   |                          |  |                   |                                    |
| 7   | Other financial corporations  | 0.23              |              |                          |  |                   | 0.24        |                          |  |                   |             | 0.35                     | 0.07                               |  | 0.07              | 0.24   |                          |  |                   |                                    |
| 8   | <i>of which investment firms</i>  | 0.03              |              |                          |  |                   | 0.03        |                          |  |                   |             | 0.03                     |                                    |  |                   |  |                          |  |                   |                                    |
| 10  | <i>- Debt securities, including UoP</i>   | 0.03              |              |                          |  |                   | 0.03        |                          |  |                   |             | 0.03                     |                                    |  |                   |  |                          |  |                   |                                    |
| 20  | <b>Non-financial undertakings</b>   | 0.41              | 0.11         | 0.01                     | 0.03   | 0.00              | 0.41        | 0.11                     | 0.01   | 0.03              | 0.57        | 0.18                     | 0.01                               | 0.35   | 0.49              |  |                          |  |                   |                                    |
| 22  | <i>Debt securities, including UoP</i>   | 0.41              | 0.11         | 0.01                     | 0.03   | 0.00              | 0.41        | 0.11                     | 0.01   | 0.03              | 0.57        | 0.18                     | 0.01                               | 0.35   | 0.49              |  |                          |  |                   |                                    |
| 24  | <b>Households</b>   | 82.55             | 13.20        | 13.20                    |  |                   | 82.55       | 13.20                    | 13.20  |                   |             | 69.20                    | 76.50                              |  | 76.50             | 65.93  |                          |  |                   |                                    |
| 25  | <i>of which loans collateralised by residential immovable property</i>                          | 82.52             | 13.20        | 13.20                    |  |                   | 82.52       | 13.20                    | 13.20  |                   |             | 69.18                    | 76.48                              |  | 76.48             | 65.92  |                          |  |                   |                                    |
| 26  | <i>of which building renovation loans</i>   | 0.02              |              |                          |  |                   | 0.02        |                          |  |                   |             | 0.01                     | 0.01                               |  | 0.01              | 0.01   |                          |  |                   |                                    |
| 27  | <i>of which motor vehicle loans</i>   | 0.02              |              |                          |  |                   | 0.02        |                          |  |                   |             | 0.01                     | 0.01                               |  | 0.01              | 0.01   |                          |  |                   |                                    |
| 32  | <b>Total GAR assets</b>   | <b>84.11</b>      | <b>13.41</b> | <b>13.20</b>             | <b>0.01</b>  | <b>0.03</b>       | <b>0.05</b> | <b>85.01</b>             | <b>13.41</b>   | <b>13.20</b>      | <b>0.01</b> | <b>0.03</b>              | <b>83.83</b>                       | <b>76.84</b>   | <b>0.01</b>       | <b>77.02</b>   | <b>82.63</b>             |  |                   |                                    |

1 Includes exposures towards counterparties that did not specify whether activities are CCM or CCA taxonomy-eligible or taxonomy-aligned.

4. GAR KPI flow (CapEx)

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|    | Climate Change Mitigation (CCM)  |                       |                   |             | Climate Change Adaptation (CCA)                      |                   |  | TOTAL (CCM + CCA) <sup>1</sup>                       |                       |                   |             | Proportion of total new assets covered |              |
|----|--|-----------------------|-------------------|-------------|--|-------------------|--|--|-----------------------|-------------------|-------------|--|--------------|
|    | Proportion of total covered assets taxonomy-eligible   |                       |                   |             | Proportion of total covered assets taxonomy-eligible |                   |  | Proportion of total covered assets taxonomy-eligible |                       |                   |             |  |              |
|    | Proportion of total covered assets taxonomy-aligned  |                       |                   |             | Proportion of total covered assets taxonomy-aligned  |                   |  | Proportion of total covered assets taxonomy-aligned  |                       |                   |             |  |              |
|    | Of which Use of Proceeds   | Of which transitional | Of which enabling |             | Of which Use of Proceeds                             | Of which enabling |  | Of which Use of Proceeds                             | Of which transitional | Of which enabling |             |  |              |
|    | % (compared to flow of total eligible assets)  |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
|    | <b>GAR - Covered assets in both numerator and denominator</b>                                    |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 1  | Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation  | 48.95                 | 9.19              | 8.94        | 0.07   |                   |  |  | 52.98                 | 9.00              | 8.94        | 0.07                                   | 49.01        |
| 2  | <b>Financial undertakings</b>  | 1.46                  | 0.18              |             |  |                   |  |  | 5.50                  |                   |             |  | 11.36        |
| 3  | Credit institutions  | 0.74                  | 0.18              |             |  |                   |  |  | 4.73                  |                   |             |  | 10.54        |
| 4  | Loans and advances   |                       |                   |             |  |                   |  |  | 3.47                  |                   |             |  | 7.34         |
| 5  | Debt securities, including UoP   | 0.74                  | 0.18              |             |  |                   |  |  | 1.26                  |                   |             |  | 3.20         |
| 6  | Equity instruments   |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 7  | Other financial corporations   | 0.72                  |                   |             |  |                   |  |  | 0.77                  |                   |             |  | 0.82         |
| 8  | of which investment firms  |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 9  | - Loans and advances   |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 10 | - Debt securities, including UoP   |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 20 | <b>Non-financial undertakings</b>  | 0.52                  | 0.07              |             | 0.07   |                   |  |  | 0.52                  | 0.07              |             | 0.07                                   | 0.67         |
| 21 | Loans and advances   |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 22 | Debt securities, including UoP   | 0.52                  | 0.07              |             | 0.07   |                   |  |  | 0.52                  | 0.07              |             | 0.07                                   | 0.67         |
| 23 | Equity instruments   |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 24 | <b>Households</b>  | 46.96                 | 8.94              | 8.94        |  |                   |  |  | 46.96                 | 8.94              | 8.94        |  | 36.98        |
| 25 | of which loans collateralised by residential immovable property                                  | 46.81                 | 8.94              | 8.94        |  |                   |  |  | 46.81                 | 8.94              | 8.94        |  | 36.86        |
| 26 | of which building renovation loans   | 0.07                  |                   |             |  |                   |  |  | 0.07                  |                   |             |  | 0.05         |
| 27 | of which motor vehicle loans   | 0.08                  |                   |             |  |                   |  |  | 0.08                  |                   |             |  | 0.06         |
| 28 | <b>Local governments financing</b>   |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 31 | <b>Collateral obtained by taking possession: residential and commercial immovable properties</b> |                       |                   |             |  |                   |  |  |                       |                   |             |  |              |
| 32 | <b>Total GAR assets</b>  | <b>48.95</b>          | <b>9.19</b>       | <b>8.94</b> | <b>0.07</b>  |                   |  |  | <b>52.98</b>          | <b>9.00</b>       | <b>8.94</b> | <b>0.07</b>                            | <b>78.73</b> |

1 Includes exposures towards counterparties that did not specify whether activities are CCM or CCA taxonomy-eligible or taxonomy-aligned.

5. KPI off-balance sheet exposures (CapEx)

|   |                                    | a  | b    | c | d    | e  | f    | g | h | i  | aa   | ab   | ac | ad   | ae   |  |
|---|------------------------------------|--|------|---|------|--|------|---|---|--|------|------|----|------|------|--|
|   |                                    | Disclosure 31-12-2023                                |      |   |      |  |      |   |   |  |      |      |    |      |      |  |
|   |                                    | Climate Change Mitigation (CCM)                      |      |   |      | Climate Change Adaptation (CCA)                      |      |   |   | TOTAL (CCM + CCA) <sup>1</sup>                       |      |      |    |      |      |  |
|   |                                    | Proportion of total covered assets taxonomy-eligible |      |   |      | Proportion of total covered assets taxonomy-eligible |      |   |   | Proportion of total covered assets taxonomy-eligible |      |      |    |      |      |  |
|   |                                    | Proportion of total covered assets taxonomy-aligned  |      |   |      | Proportion of total covered assets taxonomy-aligned  |      |   |   | Proportion of total covered assets taxonomy-aligned  |      |      |    |      |      |  |
| % |                                    |  |      |   |      |  |      |   |   |  |      |      |    |      |      |  |
| % |                                    | Of which Use of Proceeds                             |      |   |      | Of which Use of Proceeds                             |      |   |   | Of which Use of Proceeds                             |      |      |    |      |      |  |
|   |                                    | Of which transitional                                |      |   |      | Of which transitional                                |      |   |   | Of which transitional                                |      |      |    |      |      |  |
|   |                                    | Of which enabling                                    |      |   |      | Of which enabling                                    |      |   |   | Of which enabling                                    |      |      |    |      |      |  |
| 1 | Financial guarantees (FinGuar KPI) | -  | -    | - | -    | -  | -    | - | - | -  | -    | -    | -  | -    | -    |  |
| 2 | Assets under management (AuM KPI)  | 4.85   | 3.30 | - | 0.05 | 2.08   | 0.03 | - | - | -  | 5.43 | 3.30 | -  | 0.05 | 2.08 |  |

1 Includes exposures towards counterparties that did not specify whether activities are CCM or CCA taxonomy-eligible or taxonomy-aligned.

## Voluntary taxonomy assessment

### Voluntary EU taxonomy table<sup>1</sup>

|                           | Turnover                       |                                 | CapEx                          |                                 |
|---------------------------|--------------------------------|---------------------------------|--------------------------------|---------------------------------|
|                           | Taxonomy-aligned per objective | Taxonomy-eligible per objective | Taxonomy-aligned per objective | Taxonomy-eligible per objective |
| Climate Change Mitigation | 13.38%                         | 84.04%                          | 13.38%                         | 84.90%                          |
| Climate Change Adaptation | 0.00%                          | 0.09%                           | 0.00%                          | 0.05%                           |
| Total <sup>2</sup>        | 13.38%                         | 84.90%                          | 13.41%                         | 85.01%                          |

<sup>1</sup> This voluntary EU taxonomy table is based on tables '1. Assets for the calculation of Green Asset Ratio' and the KPIs are based on the total GAR assets.

<sup>2</sup> Includes exposures towards counterparties that did not specify whether activities are CCM or CCA taxonomy-eligible or taxonomy-aligned.

The mandatory EU Taxonomy report is primarily based on exposures to retail customers and large NFRD counterparties. However, the business model of de Volksbank focusses on retail customers and non-NFRD or SME customers. The latter may be active in economic activities mentioned in Annex I and/or Annex II of the EU Taxonomy, and could, therefore, be considered eligible or aligned. Accordingly, on a best effort basis, we have established taxonomy eligibility and/or alignment information for:

- Our project financing portfolio, which only includes non-financial corporations not subject to the NFRD. We assessed all our projects in relation to renewable energy such as solar, wind, biomass, underground thermal energy storage on a best effort, case-by-case basis to the relevant technical EU taxonomy screening criteria. This is especially challenging since our counterparties are often SPVs and/or SMEs and, given their size, we do not have all relevant information. Not all activities could in our view be considered taxonomy aligned. The main reason for this is a lack of data to establish compliance with either exact, equivalent, or near-estimate information. In this light, we also did consider part of our legacy solar parks to be non-compliant with the MSS and, therefore, not taxonomy aligned. The reason for this is that

suppliers of these projects had a high risk on forced labour as indicated by the Sheffield Report 1. These reports published by the Sheffield Hallam University, which provide insight in the supply chain of solar production and the risk to forced labour in the Xinjiang region, are considered leading. To cover every aspect, we note that since the insights from the first Sheffield report in the solar supply chain, we no longer finance new projects if suppliers are at high risk of using forced labour on the basis of these reports or other credible sources.

- Our commercial mortgage portfolio, whereby our loans collateralised by residential immovable property are also related to CCM activity 7.7: the acquisition and ownership of buildings. In this regard, we have included all commercial real estate built before 2021 with an Energy Performance Certificate class A. At this stage, we have been unable to establish an approach to gather data for the top 15% and the requirement for buildings built after 2021 and to meet the requirements for a PED at least 10% lower than the threshold set for a NZEB.
- Supranationals with green or sustainable bonds if the counterparty indicates them as taxonomy eligible and aligned.

### Voluntary EU taxonomy table based on IFRS balance sheet

| Before result appropriation and in € millions | Carrying amount |              | Gross carrying amount | Climate Change Mitigation (CCM) |                           | Climate Change Adaptation (CCA) |                           | Total (CCM + CCA) <sup>1</sup> |                           | Taxonomy non-eligible or excluded from the GAR calculation |
|---|-----------------|--------------|-----------------------|---------------------------------|---------------------------|---------------------------------|---------------------------|--------------------------------|---------------------------|--|
|   | Carrying amount | Impairments  |                       | Of which taxonomy-eligible      | Of which taxonomy-aligned | Of which taxonomy-eligible      | Of which taxonomy-aligned | Of which taxonomy-eligible     | Of which taxonomy-aligned |  |
| Cash and cash equivalents                     | 5,891           | -            | 5,891                 | -                               | -                         | -                               | -                         | -                              | -                         | 5,891  |
| Derivatives                                   | 2,544           | -            | 2,544                 | -                               | -                         | -                               | -                         | -                              | -                         | 2,544  |
| Investments                                   | 6,733           | (7)          | 6,740                 | 884                             | 108                       | 55                              | -                         | 975                            | 108                       | 5,765  |
| Loans and advances to banks                   | 4,671           | (4)          | 4,675                 | 2                               | -                         | -                               | -                         | 425                            | -                         | 4,250  |
| Loans and advances to customers               | 50,847          | (182)        | 51,029                | 49,309                          | 7,886                     | -                               | -                         | 49,309                         | 7,886                     | 1,720  |
| Tangible and intangible assets                | 77              | -            | 77                    | -                               | -                         | -                               | -                         | -                              | -                         | 77   |
| Tax assets                                    | 14              | -            | 14                    | -                               | -                         | -                               | -                         | -                              | -                         | 14   |
| Other assets                                  | 283             | -            | 283                   | -                               | -                         | -                               | -                         | -                              | -                         | 283  |
| <b>Total assets</b>                           | <b>71,060</b>   | <b>(193)</b> | <b>71,253</b>         | <b>50,195</b>                   | <b>7,994</b>              | <b>55</b>                       | <b>-</b>                  | <b>50,709</b>                  | <b>7,994</b>              | <b>20,544</b>  |

<sup>1</sup> Includes exposures towards counterparties that did not specify whether activities are CCM or CCA taxonomy-eligible or taxonomy-aligned.

### Voluntary EU taxonomy table based on IFRS balance sheet including other climate change mitigating actions that are not covered in the EU Taxonomy

| Before result appropriation and in € millions | Carrying amount |              | Gross carrying amount | Climate Change Mitigation (CCM) |                           | Climate Change Adaptation (CCA) |                           | Total (CCM + CCA) <sup>1</sup> |                           | Taxonomy non-eligible or excluded from the GAR calculation |
|---|-----------------|--------------|-----------------------|---------------------------------|---------------------------|---------------------------------|---------------------------|--------------------------------|---------------------------|--|
|   | Carrying amount | Impairments  |                       | Of which taxonomy-eligible      | Of which taxonomy-aligned | Of which taxonomy-eligible      | Of which taxonomy-aligned | Of which taxonomy-eligible     | Of which taxonomy-aligned |  |
| Cash and cash equivalents                     | 5,891           | -            | 5,891                 | -                               | -                         | -                               | -                         | -                              | -                         | 5,891  |
| Derivatives                                   | 2,544           | -            | 2,544                 | -                               | -                         | -                               | -                         | -                              | -                         | 2,544  |
| Investments                                   | 6,733           | (7)          | 6,740                 | 884                             | 108                       | 55                              | -                         | 1,717                          | 108                       | 5,023  |
| Loans and advances to banks                   | 4,671           | (4)          | 4,675                 | 2                               | -                         | -                               | -                         | 425                            | -                         | 4,250  |
| Loans and advances to customers               | 50,847          | (182)        | 51,029                | 50,452                          | 8,820                     | 80                              | -                         | 50,687                         | 8,820                     | 342  |
| Tangible and intangible assets                | 77              | -            | 77                    | -                               | -                         | -                               | -                         | -                              | -                         | 77   |
| Tax assets                                    | 14              | -            | 14                    | -                               | -                         | -                               | -                         | -                              | -                         | 14   |
| Other assets                                  | 283             | -            | 283                   | -                               | -                         | -                               | -                         | -                              | -                         | 283  |
| <b>Total assets</b>                           | <b>71,060</b>   | <b>(193)</b> | <b>71,253</b>         | <b>51,338</b>                   | <b>8,928</b>              | <b>135</b>                      | <b>-</b>                  | <b>52,829</b>                  | <b>8,928</b>              | <b>18,424</b>  |

<sup>1</sup> Includes exposures towards counterparties that did not specify whether activities are CCM or CCA taxonomy-eligible or taxonomy-aligned.

## List of commitments and initiatives

Please find the following list of commitments and initiatives mentioned in this integrated annual report. For each of the commitments and initiatives an accompanying explanation is provided.

| Commitments and initiatives  | Explanation  |
|--|--|
| International Labour Organisation (ILO)  | The ILO was established in 1919 and brings together governments, employers and workers of 187 member states to set labour standards, develop policies and devise programmes that promote decent work for all men and women. It is the only tripartite UN agency.   |
| Organisation for Economic Cooperation and Development (OECD)                         | The OECD is an intergovernmental economic organisation and forum with 38 member countries. Founded in 1961, it stimulates economic progress and world trade. The OECD guidelines form the starting point for the Dutch international CSR policy, which provides tools for companies to deal with issues such as supply chain responsibility, human rights, child labour, the environment and corruption.   |
| International Responsible Business Conduct Agreement ( <i>IMVO Bankenconvenant</i> ) | At the end of 2017, de Volksbank signed the International Corporate Social Responsibility (ICSR) Banking Sector Covenant together with the <i>NVB</i> , other financial institutions, the government, trade unions and non-governmental organisations. Through this covenant, we agreed to reduce the risk of human rights violations. Since the end of 2021, the banks have formally adopted the Responsible Business Conduct Commitment as a follow up to the International RBC agreement (ICSR Covenant).   |
| ICMA Green Bond Principles   | Green Bonds enable capital raising and investment for new and existing projects that benefit the environment. The ICMA Green Bond Principles (GBP) are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the way in which Green Bonds should be issued.  |
| Equator Principles   | The Equator Principles is a risk management framework adopted by financial institutions. It is intended to determine, assess and manage environmental and social risks in project financing.   |
| UN Global Compact  | A UN initiative to encourage companies worldwide to implement sustainable and socially responsible policies and to report on their implementation.   |
| Principles for Responsible Banking (PRB)   | The Principles for Responsible Banking are a unique framework for ensuring that signatory banks' strategies and practices are in line with the vision the UN has set for the future in the Sustainable Development Goals and the Paris Climate Agreement. There are 6 business-related principles: alignment, impacts, customers, stakeholders, governance & culture, transparency & accountability. Read more in the Section on the <a href="#">Principles for Responsible Banking</a> .  |
| UNEP PRB Biodiversity Community  | A programme aimed to build knowledge for banks committed to the PRB that have started to work on biodiversity and want to learn how to integrate biodiversity into their operations and strategies.  |
| Partnership for Carbon Accounting Financials (PCAF)                                  | PCAF is a global partnership of financial institutions that work together to develop and implement a harmonised, transparent and uniform approach to measure and disclose the greenhouse gas (GHG) emissions associated with loans and investments. The approach entails a carbon accounting methodology and provides financial institutions with a starting point to set science-based targets and align their portfolio with the Paris Climate Agreement. The initiative for the PCAF was led by ASN Bank in 2015 and has since grown into a global initiative. As at year-end 2022, 350+ financial institutions, representing over \$ 87 trillion, are already committed to measuring and disclosing financed emissions using the PCAF methodology. De Volksbank is a member of the steering group of PCAF Global and of multiple working groups within PCAF Netherlands. |
| Partnership for Biodiversity Accounting Financials (PBAF)                            | PCAF is a global partnership of financial institutions that work together to develop and implement a harmonised, transparent and uniform approach to measure and disclose the greenhouse gas (GHG) emissions associated with loans and investments. The approach entails a carbon accounting methodology and provides financial institutions with a starting point to set science-based targets and align their portfolio with the Paris Climate Agreement. The initiative for the PCAF was led by ASN Bank in 2015 and has since grown into a global initiative. As at year-end 2022, 350+ financial institutions, representing over \$ 87 trillion, are already committed to measuring and disclosing financed emissions using the PCAF methodology. De Volksbank is a member of the steering group of PCAF Global and of multiple working groups within PCAF Netherlands. |

| Commitments and initiatives                  | Explanation  |
|--|--|
| The Dutch National Climate Agreement         | An initiative led by the financial sector to contribute to the implementation of the Paris Climate Agreement and the Dutch National Climate Agreement. The commitment is directed at the provision of suitable market-based financing arrangements for sustainability, and at the integration of climate goals, including CO <sub>2</sub> reduction targets in companies' own strategies. In 2022, de Volksbank published its <a href="#">Climate Action Plan</a> , as part of our contribution to the Dutch National Climate Agreement. |
| The Science Based Targets initiative (SBTi)  | The SBTi drives ambitious climate action in the private sector by enabling companies to set science based targets for emission reductions. Targets to reduce GHG emissions are considered 'science based' when they are aligned with the latest requirements to meet the Paris Climate Agreement. De Volksbank is the first bank in the Netherlands with approved SBTs for our scope 1, 2 and 3 emissions.   |
| Finance for Biodiversity Pledge              | Signatories pledge to the protection and restoration of biodiversity by: 1) Collaborating and sharing of knowledge; 2) Engaging with companies; 3) Assessing impact; 4) Setting targets; 5) Reporting publicly on the above before 2025.   |
| Financial Health & Inclusion Commitment      | The PRB Commitment to Financial Health and Inclusion is a commitment to promote universal financial inclusion and foster a banking sector that supports the financial health of customers. Launched in December 2021, the commitment is a collective journey to accelerate action on financial health and inclusion, which is one of the top three sustainability challenges identified by signatory banks in the 2020 PRB Collective Progress Report, based on where the signatory banks can have the most impact.                      |
| Net positive impact on biodiversity (SDG 15) | Following SDG 15 Life on land, de Volksbank seeks to protect, restore and promote the conservation and sustainable use of terrestrial ecosystems. This includes efforts to sustainably manage forests and halt deforestation, combat desertification, restore degraded land and soil, halt biodiversity loss and protect threatened species.   |
| The National Financial Health Coalition      | Both public and private organisations work together to improve the financial health among Dutch citizens. A financially healthy society contributes to the well-being of individuals, organisations, the economy and thus our society. The aim of this commitment is to have reduced the number of households that are financially inadequate or financially unhealthy by half by 2030.  |

## Non-Financial Reporting Directive

| Topic   | Subtopic  | Integrated Annual Report reference            |
|---|---|---|
| Business model  | General description   | <a href="#">1.1.1</a> & <a href="#">1.1.3</a> |
|   | Relevant social and personnel matters (e.g. HR, safety etc.)      | <a href="#">2.3.4</a> & <a href="#">2.4.2</a> |
| Relevant environmental matters (e.g. climate-related impacts)           | The outcome of those policies.                                    | <a href="#">2.3.4</a> & <a href="#">2.4.2</a> |
|   | Principal risks in our own operations and within the value chain. | <a href="#">4.3</a>                           |
|   | How risks are managed.  | <a href="#">4.3</a>                           |
|   | Non-financial key performance indicators.                         | <a href="#">1.2.5</a>                         |
|   | A description of the policies pursued, including due diligence.   | <a href="#">2.4.2</a>                         |
|   | The outcome of those policies.                                    | <a href="#">2.4.2</a>                         |
| Climate change  | Principal risks in our own operations and within the value chain. | <a href="#">4.9</a>                           |
|   | How risks are managed.  | <a href="#">4.9</a>                           |
|   | Non-financial key performance indicators.                         | <a href="#">2.2.3</a>                         |
|   | A description of the policies pursued, including due diligence.   | <a href="#">2.4.2</a>                         |
|   | The outcome of those policies.                                    | <a href="#">2.2.1</a>                         |
|   | Principal risks in our own operations and within the value chain. | <a href="#">4.9</a>                           |
| Relevant matters with respect for human rights (e.g. labour protection) | How risks are managed.  | <a href="#">4.9</a>                           |
|   | Non-financial key performance indicators.                         | <a href="#">2.2.1</a>                         |
|   | A description of the policies pursued, including due diligence.   | <a href="#">2.4.2</a>                         |
|   | The outcome of those policies.                                    | <a href="#">2.4.2</a>                         |
|   | Principal risks in our own operations and within the value chain. | <a href="#">4.9</a>                           |
|   | How risks are managed.  | <a href="#">4.9</a>                           |
| Relevant matters with respect to anti-corruption and bribery            | Non-financial key performance indicators.                         | <a href="#">2.2.2</a>                         |
|   | A description of the policies pursued, including due diligence.   | <a href="#">2.4.3</a>                         |
|   | The outcome of those policies.                                    | <a href="#">2.4.3</a>                         |
|   | Principal risks in our own operations and within the value chain. | <a href="#">4.3</a>                           |
|   | How risks are managed.  | <a href="#">4.3</a>                           |
|   | Non-financial key performance indicators.                         | <a href="#">2.4.3</a>                         |
| Insight into diversity (Executive Board and the Supervisory Board)      | A description of the policies pursued.                            | <a href="#">3 Governance</a>                  |
|   | Diversity targets.  | <a href="#">3 Governance</a>                  |
|   | A description of how the policy is implemented.                   | <a href="#">3 Governance</a>                  |
|   | Results of the diversity policy.                                  | <a href="#">3 Governance</a>                  |



## Principles for Responsible Banking

### Reporting and Self-Assessment Template

#### Principle 1: Alignment

**We will align our corporate strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.**

##### Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

- *We are the fourth-largest retail bank operating in the Netherlands.*
- *We provide simple and transparent mortgages, savings, payment services and insurance and investment products.*
- *Our customers are private individuals, self-employed persons and smaller businesses.*
- *Our mission is 'Banking with a human touch'.*
- *Four brands: SNS, ASN bank, RegioBank and BLG Wonen.*

##### Links and references

[Company profile](#)

[1.1.3 How we create value](#)

##### Strategy alignment

**Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?**

Yes

No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks.

**Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?**

- × UN Guiding Principles on Business and Human Rights
- × International Labour Organization fundamental conventions
- × UN Global Compact
- × UN Declaration on the Rights of Indigenous Peoples
- × Any applicable regulatory reporting requirements on environmental risk assessments - please specify which ones: *Equator Principles and Principles for Responsible Investment*
- None of the above

- *Strategy 2021-2025 'Better for each other - from promise to impact'.*
- *Our strategy and activities relate mostly to SDGs 8, 11, 13, 15 and 17.*
- *We aim to make a positive impact on society on four themes, i.e. climate, decent housing for everyone, quality of life in the community and attention to personal growth for everyone.*
  - *The KPI for the Climate change theme has been developed and published.*
  - *The KPIs on housing accessibility and the themes on quality of life in the community and attention to personal growth for everyone are currently under development. In the coming period, we will further develop the targets for these KPIs.*

##### Links and references

[1.2 Our strategic progress](#)

[2.1.2 Membership associations and collaborations](#)

- The Paris Climate Agreement is taken into account in our climate policy.
- In 2022, we launched our Climate Action Plan in which we describe our ambition to have a net zero balance sheet in 2050, or earlier if possible.
- Our goal is to have a 100% climate-neutral balance sheet by 2030.
- We were the first bank in the Netherlands to commit to the Science Based Target initiative (SBTi). We have set targets for 2030 for our buildings and car fleet, as well as for our mortgage portfolio and renewable energy portfolio. The targets are ambitious and in line with a 1.5°C scenario.
- Our sustainability policy is based on a large number of international frameworks (e.g. UNGC, ILO and OECD)
- Our brand ASN Bank was a joint initiator for partnerships like the Partnership for Carbon Accounting Financials (PCAF), the Partnership for Biodiversity Accounting Financials (PBAF) and the Platform Living Wage Financials (PLWF).
- We signed the PRB Commitment to Financial Health & Inclusion Commitment in 2021.

2.2.1 Climate Change

[Our contribution to five Sustainable Development Goals \(SDGs\)](#)

**Principle 2: Impact and Target Setting**

**We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.**

**2.1 Impact Analysis (Key Step 1)** Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d).

**a) Scope:** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

*De Volksbank has chosen to utilise its Double Materiality Assessment (DMA) as an alternative to the UNEP FI Impact Analysis. De Volksbank's DMA effectively aligns with the PRB assessment requirements, as the DMA adheres to the GRI standards. De Volksbank's approach encompasses the selected scope, including key business areas, key products/services and key geographies. We conclude that:*

**Links and references**  
[Company profile](#)

- *De Volksbank is a retail bank that operates in the Netherlands, with a focus on consumer banking where the identified impacts are assessed at country level rather than the local level, as we consider the local areas too small to divide into significant regions as compared to the average size of other countries.*

[1.1.3 How we create value](#)  
[2.1.3 Materiality assessment](#)

**b) Portfolio composition:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope: i) by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or ii) by products & services and by types of customers for consumer and retail banking portfolios. If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

*De Volksbank operates in the Dutch financial sector, serving all types of customers, from low to high income individuals, of all genders, cultures and all ages. Pertaining to the DMA, de Volksbank provides insight into the core business and major activities. Consequently, our main operations are:*

**Links and references**  
[Introduction](#)

- *Mortgages, consumer loans, current accounts and savings as our main business activities in the consumer banking area.*

[1.1.3 How we create value](#)  
[2.1.3 Materiality assessment](#)

**c) Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

Our DMA incorporates various trend reports and risk analyses, along with stakeholder involvement, and we have thoroughly examined the most relevant challenges and priorities. This was accomplished through a prioritisation process involving our stakeholders and internal experts. The DMA resulted in a list of material topics for de Volksbank, of which three topics could be linked to PRB themes, of which are:

*Climate change:*

Climate change threatens human communities and natural ecosystems all over the world. Our response to this challenge is embedded in our strategy: we aim to create a positive social impact. The climate pillar of our Sustainability Policy has been the cornerstone in this respect for a long time, this policy is based on the Paris Agreement and other relevant national and regional frameworks.

*Housing:*

The likelihood of securing a home diminishes as household income decreases. In the Netherlands, the average annual salary in 2023 stood at €40,000 gross. Even for a household earning double this national average, the challenge of purchasing a home remains a challenge. De Volksbank is committed to addressing this issue and explicitly aims to provide support to individuals facing these challenges. When assessing the impact of accessibility on housing, it is important to recognise the extent of the housing problem in the Netherlands.

*Financial Health & Inclusion:*

As a bank, we can make a direct social impact by helping customers and non-customers alike with their financial health and by standing up for financial inclusion. To gain a better understanding of the overall view of the Dutch people's financial health in 2022, we consider the most striking results of [Deloitte's survey report](#) and several surveys conducted by the [National Institute for Family Finance Information \(Nibud\)](#). These reports show that, in 2022, a mere 21% of Dutch people were financially healthy, as against 27% in 2021. An increasing number of people struggle to pay their bills and experience multiple payment problems, with young people being hit the hardest. More information on how de Volksbank positively impacts financial health in the Netherlands, see our paper on [Financial Health](#).

**c. Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.**

Three significant impact areas that we prioritised were:

- Climate change;
- Financial health & inclusion; and
- Local entrepreneurship, accessible housing and quality of life in communities.

Within the latter impact area, we focus on the impact topics housing availability, accessibility, affordability, quality of resources & services. Besides determining these two impact areas, we also signed the Financial Health & Inclusion Commitment, constituting our third impact area.

#### Links and references

[1.1 Our strategy](#)

[2.1 General information](#)

[2.2 Environmental information](#)

[2.3.3 Local entrepreneurship, accessible housing and quality of life in communities](#)

[Financial Health report](#)

[Memberships & treaties](#)

[Deloitte survey report](#)

[Nibud](#)

#### Links and references

[2.1.3](#)

[Materiality assessment](#)

[2.2.1 Climate change](#)

[2.3.3 Local entrepreneurship, accessible housing and quality of life in communities](#)

**d) Performance measurement:** Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

*Climate change:*

*Our current strategic objective to have a climate-neutral balance sheet consists of an estimation of the emissions avoided with our activities and the emissions caused by us. De Volksbank's balance sheet largely consists of (retail) mortgages. We also include the SME portfolio, project financing and bank capital in our climate performance measurements.*

*For our impact areas Housing and Financial Health & Inclusion, we are in the process of developing and defining our targets for these KPIs. In the coming period, we will further develop the targets for these KPIs.*

**Links and references**

[1.2.2 Social impact](#)

[2.1.1 Our approach to stakeholder engagement](#)

[2.1.3 Materiality assessment](#)

**Self-assessment summary:**

Which of the following component of impact analysis has you bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

|                          |   |   |                             |
|--------------------------|---|---|-----------------------------|
| Scope:                   | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress            | <input type="checkbox"/> No |
| Portfolio composition:   | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress            | <input type="checkbox"/> No |
| Context:                 | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress            | <input type="checkbox"/> No |
| Performance measurement: | <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> In progress | <input type="checkbox"/> No |

**Which most significant impact areas have you identified for your bank, as a result of the impact analysis?**

*The identified impact areas of de Volksbank are: Climate change, Housing and Financial Health & Inclusion. The two impact areas that are most material to us and our stakeholders are Climate change and Housing.*

**How recent is the data used for and disclosed in the impact analysis?**

Up to 6 months prior to publication  Up to 18 months prior to publication  Up to 12 months prior to publication  Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.:

*The impact analysis is based on year-end 2022 data.*

**2.2 Target Setting (Key Step 2)**

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis. The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

**a) Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

We have aligned Climate change to the following policy frameworks:

- SDG 11, by making our mortgage portfolio more sustainable, we contribute to climate-resilient homes and communities;
- SDG 13, to have no negative effect on the climate, as we have the ambition to achieve a climate-neutral balance sheet by 2030 and a net zero balance sheet by 2050;
- SDG 17, for example through Partnership Carbon Accounting Financials;
- The Paris Agreement;
- The Dutch National Climate Agreement;
- The Science Based Targets initiative;
- Taskforce for Climate Financial Disclosure.

As a bank, we have a significant (indirect) impact on the climate, which we measure by means of our climate-neutral balance sheet. We have set science-based targets for our buildings and car fleet, as well as for our mortgage portfolio and sustainable energy portfolio. These targets are ambitious and in accordance with the global warming-related 1.5°C scenario. In line with our own strategy and the Dutch National Climate Agreement, the next step is to raise the bar. In December 2022, we published our Climate Action Plan, through which we will embark on a path with the ambition to alter our KPI from a climate-neutral balance sheet in 2030 into a net zero balance sheet by 2050.

Working on a true ambition on our impact areas Housing and Financial Health & Inclusion, we are in the process of developing and defining indicators and targets. In the coming period, we will further develop the targets for these KPIs. However, we have not established complete indicators and targets to align our impacts with (inter)national frameworks. Nevertheless, we currently and aim to contribute to the following frameworks in the future:

- SDG 11, we are committed to making the housing market more accessible;
- SDG 17, for example through our membership associations and collaborations, such as GeldFit, Nationale schuldhulproute, Eurowijs and Wijzer in Geldzaken.

**b) Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline. If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes: In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

Climate change:

Our 2015 goal was to have a climate-neutral balance sheet by 2030. The baseline climate neutrality measurement, based on the year-end 2014 figure, was 16%. For our science-based targets the baseline measurement was set for 2020. In 2023, we started researching the definition and scope of our net zero ambition. The net zero scenario analyses were performed in 2023 based on the Q4 2022 balance sheet. Nevertheless, as there is no net zero standard for financed carbon removal yet, we have not been able to establish a definitive baseline year.

For our impact areas Housing and Financial Health & Inclusion, we are in the process of developing and defining our targets for these KPIs:

**Links and references**

[1.2.2 Social impact](#)

[2.1.2 Membership associations and collaborations](#)

[2.2.1. Climate change](#)

[2.4.2 Sustainability governance and policies](#)

[Our contribution to five Sustainable Development Goals \(SDGs\)](#)

[Memberships & treaties](#)

**Links and references**

[1.2.2 Social impact](#)

[2.2 Environmental information](#)

- The targets for the KPIs on housing accessibility will be further developed in the coming period. Therefore, we are in the process of establishing a baseline for this impact area.
- The KPI(s) for the themes on quality of life in the community and attention to personal growth for everyone are currently under development. Therefore, we have not yet set a baseline for this impact area

**c) SMART targets:** Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

#### Climate change:

De Volksbank is aiming towards a 100% climate-neutral balance sheet by 2030, with an interim target of 75% in 2025. In addition to the climate-neutral balance sheet target, we have announced our net zero ambition. As from 2022, we have also Science Based Targets on our scope 1, 2 and 3 emissions. Currently, the climate-neutral balance sheet KPI is the balance in CO<sub>2</sub> emissions between emitted CO<sub>2</sub> emissions and avoided CO<sub>2</sub> emissions across all assets. We consider our balance sheet climate neutral if we avoid, or remove, as many emissions from the air with our financing and investments as we cause. The following indicators help steer towards a climate-neutral balance sheet:

- Average energy efficiency rating of financed home;
- CO<sub>2</sub> emissions from retail mortgages;
- CO<sub>2</sub> emissions from sustainable project financing;
- CO<sub>2</sub> emissions climate bonds;
- CO<sub>2</sub> emissions business loans.

#### Housing:

We are working towards an inclusive housing market in which everyone has fair opportunities and access to appropriate mortgage solutions, enabling people to secure decent housing. Considering our business model and current market dynamics, we translated the housing accessibility theme into two KPIs. In the coming period, we will further develop the targets for these KPIs:

- Making housing accessible to households earning up to twice the average income
- Sustainable recovery from mortgage arrears based on financial care during major life events.

#### Financial Health & Inclusion:

Our ambition and KPI setting on for Financial Health & Inclusion is under development, and will revolve around sustainable recovery, whereby we aim to measure the following: a KPI that reflects the percentage of customers in actual or potential arrears who have recovered for 12 months in the measurement month and who have not subsequently been transferred back to our Financial Care department. This concerns customers who had payment arrears on their private mortgage. As this KPI is still in the stage of development, no specific targets have been set.

The situation in the Dutch housing market has led de Volksbank to lay down principles to help both customers and non-customers improve their financial health. The [Deloitte survey report](#) reveals that expenses are the largest problem for people of all income groups and, therefore, for the Dutch population at large. This is confirmed by a [survey](#) on financial health by de Volksbank, which shows that more high earners are also having difficulty in making ends meet, as 12% of them found it hard to get by in 2022, versus 6% in 2018. For the above-mentioned reasons, we do not wish to focus on a specific income group.

[2.3.3 Local entrepreneurship, accessible housing and quality of life in communities](#)

#### Links and references

[1.2.2 Social impact](#)

[2.2.1 Climate change](#)

[2.2.2 Responsible investment and financing](#)

[2.3.3 Local entrepreneurship, accessible housing and quality of life in communities](#)

[Deloitte Survey Report](#)

[Financial Health Report](#)

**d) Action plan:** which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

Climate change:

Our [Climate Action Plan](#) describes how we plan to take action to reduce our negative impact on the climate. These actions will be continued and expanded in 2024. Below is a summary of some of the points disclosed in the Climate Action Plan:

- We will further strengthen our organisation's efforts in making our (retail and business) customers aware of the need to reduce GHG emissions and the potential risks and benefits. In addition, we will support them in finding the best solutions to reduce such emissions. We have taken numerous actions to make our customers aware of the benefits of making their homes more sustainable, some examples of which are: mailings, different cooperative agreements with specialised partners offering our customers discounts on specific energy-savings solutions, events for internal and external audiences and launching websites offering concrete advice and personalised solutions, such as Woningverbeteraars websites.
- Moreover, we will be reassessing all product and service proposals of the last couple of years with the aim of supporting our retail mortgage customers in reducing their energy consumption and GHG emissions of their homes by providing them with loans and advice. This year we introduced a new mortgage, the Bespaarhypotheek. This mortgage provides a discount on interest by realizing energy-saving measures towards energy efficiency rating A or B.
- We found that relatively small adjustments in the credit position of a customer, e.g. to invest in energy-savings solutions, can lead to a disproportionate administrative burden, partly due to strict regulation. In a pilot project we tried to limit these activities. Mortgage customers can borrow an additional amount up to 50K through execution only (online, without advice). We only charge handling costs for these customers. This saves them up to 2.500-3.000 euros for advice on the product.
- We are financing several types of GHG emission-avoiding activities, mainly within the renewable energy sector. We have been an active financier of solar and wind parks for many years. By investing in renewable energy projects we have been supporting the energy transition, resulting in the prevention of CO<sub>2</sub>e emissions on a macro level. We are now exploring the possibilities for nature-based solutions in removal. Based on the current insights, we will be exploring the financial and non-financial impact of bio-based construction, regenerative agriculture, sustainable forestry, etc.
- With the Climate Action Plan we will embark on a path with the ambition to alter our KPI from a climate-neutral balance sheet in 2030 into a net zero balance sheet by 2050, and earlier if possible.

As noted earlier, we are in the process of developing and defining targets for the KPIs on the impact areas Housing and Financial Health & Inclusion. We therefore have not yet fully developed any action plans for these topics.

**Links and references**

[1.2.2 Social impact](#)

[2.2.1 Climate change](#)

[2.2.2 Responsible investment and financing](#)

[2.3.3 Local entrepreneurship, accessible housing and quality of life in communities](#)

[Climate Action Plan](#)

**Self-assessment summary**

**Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...**

|               | ... first area of most significant impact: <i>Climate change</i>       | ... second area of most significant impact: <i>Housing</i>             | ...your third (and subsequent) area(s) of impact: <i>Financial Health &amp; Inclusion</i> |
|---------------|--|--|---|
| Alignment     | X Yes <input type="checkbox"/> In progress <input type="checkbox"/> No | X Yes <input type="checkbox"/> In progress <input type="checkbox"/> No | <input type="checkbox"/> Yes x In progress <input type="checkbox"/> No                    |
| Baseline      | X Yes <input type="checkbox"/> In progress <input type="checkbox"/> No | <input type="checkbox"/> Yes x In progress <input type="checkbox"/> No | <input type="checkbox"/> Yes x In progress <input type="checkbox"/> No                    |
| SMART targets | X Yes <input type="checkbox"/> In progress <input type="checkbox"/> No | <input type="checkbox"/> Yes x In progress <input type="checkbox"/> No | <input type="checkbox"/> Yes x In progress <input type="checkbox"/> No                    |
| Action plan   | X Yes <input type="checkbox"/> In progress <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> In progress x No | <input type="checkbox"/> Yes <input type="checkbox"/> In progress x No                    |

### 2.3 Target implementation and monitoring (Key Step 2)

**For each target separately:** Show that your bank has implemented the actions it had previously defined to meet the set target. Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

**Or, in case of changes to implementation plans:** describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

*Climate change:*

*We have measured and reported on our pathway to a climate-neutral balance sheet as from 2015. The underlying KPI 'average energy efficiency rating of financed homes' reduces CO<sub>2</sub> emissions from retail mortgages in kilotonnes of CO<sub>2</sub>e. Here too, we have interim targets. The Science Based Target for the mortgage portfolio is 29% emissions reduction per m<sup>2</sup> by 2025 compared to 2020. Other interim targets are for internal management purposes. For the impact areas Housing and Financial Health & Inclusion, we are in the process of developing performance measurements, including baseline measurements and targets. Our goal is to set targets and baselines for the KPIs on the impact area Housing in 2024.*

**Links and references**

[1.1.2 Social impact](#)

[2.2](#)

[Environmental information](#)

## Principle 3: Clients and Customers

**We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.**

### 3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

Yes     In progress     No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes     In progress     No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

- *The highest negative impact on climate is caused by the mortgages of our customers. Therefore, we have a sustainability policy on the impact area Housing, KPIs on the energy efficiency score of our mortgages and special programmes to encourage homeowners to make their houses more sustainable.*
- *We aim to stimulate our customers to make sustainability-related improvements to their homes, such as energy-saving measures. We continue to strive for innovation and improvement in this area. For example, we have successfully encouraged our installation partner for insulation to add biobased roof insulation to its product range, and to promote nature inclusive and regrowable materials.*
- *The ASN Mortgage may be raised to €30,000 for energy-saving measures.*
- *When taking out an ASN Mortgage for a home with energy efficiency rating of A or higher, customers get a discount on the interest rate.*
- *Through ASN Impact Investors, we make it possible for our customers to invest in sustainable equity funds, e.g. the ASN Biodiversity Fund. ASN Bank discloses the impact of their investment on CO<sub>2</sub> emissions to its customers.*
- *In November 2023, BLG Wonen organised its annual [Housing Debate](#), which focussed on the question whether housing can be (re)introduced as an employment condition and presented the results of a related study it conducted to have a positive impact on housing market accessibility. Through this event, BLG Wonen initiates and builds more collaborations between market parties.*

**Links and references**

[2.2](#)

[Environmental information](#)

[2.3.3 Local entrepreneurship, accessible housing and quality of life in communities](#)

[2.4.2 Sustainability governance and policies](#)



### 3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

We strive to make a positive impact on SDGs 8, 11, 13, 15 and 17. We worked on multiple opportunities, such as:

- We introduced the possibility for customers to increase their mortgage so they can make their home more sustainable, without having to go to the Notary Public again.
- We introduced a new mortgage product, which offers attractive interest rates if you take out a mortgage for a home with energy efficiency rating B or higher.
- We introduced a special 'sustainability conversation', in which SNS advisers help customers where to start when they want to make their home more sustainable.
- We introduced a Personal Sustainability Loan. Customers can use this loan that has an attractive interest rate for sustainable expenditure on energy-saving measures, or for a tiny house.
- ASN Bank expanded its product range with sustainable insurance products, such as home, home contents and liability insurance policies. Customers have the option to have damage repaired with or replaced by second-hand or refurbished materials. The insurance premium is invested in sustainable companies, governments and projects.
- We monitor the average energy efficiency score of our mortgage portfolio.
- Energy-efficient mortgages: aiming to make sustainability measures in these homes affordable to everyone, customers can take out an ASN sustainable housing loan at a low interest rate concurrent with their ASN mortgage.
- In 2022, BLG Wonen participated in the development of the rental mortgage, in which landlords can get financing provided they base their rent on the points-based system. This mortgage was implemented in the first quarter of 2023.
- Green bonds: de Volksbank issued Green bonds contributing to more sustainable residential real estate.
- We celebrated 10 years of Eurowijs; teaching materials that teach young people how to handle money from an early age.
- We launched the Ouderwijs platform; offering free teaching materials to schools. The teaching material has now reached 1.5 million children and teaches them how to manage money well. To prevent financial problems later in life.

#### Links and references

[2.1.2 Membership associations and collaborations](#)

[2.2 Environmental information](#)

[2.3.3 Local entrepreneurship, accessible housing and quality of life in communities](#)

[2.4.2 Sustainability governance and policies](#)

[Our contribution to five Sustainable Development Goals \(SDGs\)](#)

[Memberships & treaties](#)

## Principle 4: Stakeholders

**We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.**

### 4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

Yes  In progress  No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

*We categorise our stakeholders into four groups: customers, society, employees, and the shareholder. We cultivate year-round stakeholder engagement through various channels. This includes daily interactions with our customers through chat, email, and telephone, as well as face-to-face interactions at our shops and branch offices. Topics of discussion with these stakeholders encompass sustainability, housing, and diversity and inclusion. As for the latter, de Volksbank organised roundtable discussions with employees. The outcomes of these discussions will be utilised to formulate new policies. We aim to initiate, accelerate and facilitate partnerships to reach the SDGs on various fronts; to this end, we were joint initiators of the PCAF, PBAF and PLWF. We also collaborate with foundations such as Oranje Fonds, NLvoorelkaar, Dutch Debt Relief Route and National Mortgage Guarantee.*

#### Links and references

[2.1 General information](#)

[2.4.2 Sustainability governance and policies](#)

[Memberships & treaties](#)

## Principle 5: Governance & Culture

**We will implement our commitment to the Principles through effective governance and a culture of responsible banking.**

### 5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes  In progress  No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about 1) which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to), 2) details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impact being detected), as well as 3) remuneration practices linked to sustainability targets.

- *The Executive Committee (ExCo) is responsible for de Volksbank's social impact strategy and social impact KPIs.*
- *The Social Impact Committee (SIC), chaired by the Chief Risk Officer, is responsible for the PRB and our policies and progress on sustainability topics. An Advisory Team prepares and gives advice to the SIC. PRB-related topics fall within the scope of these bodies.*
- *Social impact themes related to the PRB impact areas are part of de Volksbank's impact framework. Every brand is responsible for their own social impact KPIs through its own governance. The SIC regularly discusses and monitors these KPIs.*
- *The ExCo members have a fixed remuneration. The Supervisory Board sets the performance objectives for the ExCo, including social impact-related performance objectives. These objectives are derived from de Volksbank's (long-term) strategic objectives.*

#### Links and references

[2.4 Governance information](#)

[3. Leadership & governance](#)

### 5.2 Promoting a culture of responsible banking

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst other).

There are various initiatives to bring sustainability and financial health to the attention of our employees, for example through:

- Newsletters (via multiple platforms), intranet news items, by sharing and promoting our policies and training programmes on our online learning platform;
- Department-specific presentations;
- Lifelong learning sessions for the ExCo and the leadership teams;
- Employee training sessions.

#### Links and references

[2.3.4 Genuine attention for our employees](#)

[3.1 Supervisory Board and Executive Committee](#)

### 5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

- The integration of short, medium and long-term ESG risks within the risk management framework is based on the ECB guide on climate-related and environmental risks, the EBA report on management and supervision of ESG risks for credit institutions and investment firms and the TCFD recommendations.
- As sustainability risk is a key risk, we formulated a Risk Appetite Statement (RAS), which includes risk indicators and risk limits to monitor sustainability risk. The Risk Management function monitors the risk indicators for environmental risk (transition risk as well as physical risk), social risk and governance risk. These risk indicators are reported to the ExCo in the quarterly risk report.
- We have adopted very strict sustainability policies, including policies in relation to our sustainability pillars Climate, Biodiversity, and Human rights.
- To find out how our activities could be linked to human rights risks in international value chains, we follow the United Nations Guiding Principles for Business and Human Rights. Our previous salient human rights risk analysis identified as one of our most salient issues a living wage in the garment industry.

#### Links and references

[2.2.2 Responsible investment and financing](#)

[2.4.2 Sustainability governance and policies](#)

[4.9 Sustainability risk](#)

#### Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes  No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes  No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes  In progress  No

## Principle 6: Transparency & Accountability

**We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.**

### 6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes  Partially  No

*The information disclosed on principles 2.1, 2.2, 2.3 and 5.1 in this self-assessment has been assured by our independent assurance services provider.*

#### Links and references

[Independent auditor's report](#)

### 6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI
- SASB
- CDP
- IFRS Sustainability Disclosure Standards
- TCFD

Other: *Transparency Benchmark, Non-Financial Reporting Directive, Green Bond Principles 2018 (Green Bond Framework 2021).*

- The non-financial information in the report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, the Non-Financial Reporting Directive (NRFD) and with consideration of the Task Force on Climate-Related Financial Disclosures (TCFD).*
- De Volksbank received high marks for its sustainability policy from CDP, Sustainalytics, ISS ESG, MSCI and the Fair Bank Guide.*

#### Links and references

[Our approach to reporting](#)

### 6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

*For our impact areas Housing and Financial Health & Inclusion, we are in the process of developing and defining our targets for these KPIs:*

- The KPIs on housing accessibility are internally implemented, but are not yet published externally. The publication of the targets for these KPIs will be set in 2024.*
- The KPIs for the themes on quality of life in the community and attention to personal growth for everyone are currently under development.*

Furthermore, we seek to take steps on:

- The Climate change-related impact area, we are in the process of embedding the actions formulated in the [Climate Action Plan](#) throughout the organisation.*
- We strive to further improve the climate-neutral balance sheet KPI and actions will be undertaken to reach the goals by 2030. We are the first Dutch bank with approved science-based targets. Also, in 2022 we published our [Climate Action Plan](#) in which we set out our net zero ambition for 2050.*
- The way the PRB working group is organised will be evaluated and adjusted if necessary.*

#### Links and references

[1.2.2 Social impact](#)

[2.4.2 Sustainability governance and policies](#)

[Climate Action Plan](#)

## 6.4 Challenges

Here is short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last months (optional question). If desired, you can elaborate on challenges and how you are tackling these:

- Embedding PRB oversight into governance
- Gaining or maintaining momentum in the bank
- Getting started: where to start and what to focus on in the beginning
- Conducting an impact analysis
- Assessing negative environmental and social impacts
- Choosing the right performance
- Setting targets
- Customer engagement
- Stakeholder engagement
- Data availability
- Data quality
- Access to resources
- Reporting
- Assurance
- Prioritizing actions internally

If desired, you can elaborate on challenges and how you tackling these:

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### Response

*Over the past 12 months, de Volksbank has made good progress on implementing the PRB. We have substituted the PRB Impact Analyses for the DMA and linked our material topics with the PRB impact areas. Data quality and availability are key in the development of our KPIs on Housing and Financial Health & Inclusion, therefore we aim to adress these challenges in the future.*

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## GRI Content Index

| GRI STANDARD | DISCLOSURE  | LOCATION/DIRECT ANSWER  | OMISSION |
|--------------|---|---|----------|
| <b>GRI 1</b> | <b>Statement of use</b>   |   |          |
|              |   | De Volksbank N.V. has reported in accordance with the GRI Standards for the period starting on 1 January 2023 and lasting up to and including 31 December 2023. |          |
| <b>GRI 2</b> | <b>General Disclosures 2021</b>   |   |          |
| 2-1          | Organisational details  | Company profile<br>3.3 Legal structure of de Volksbank<br>Financial statements: General information   |          |
| 2-2          | Entities included in the organisation's sustainability reporting            | Our approach to reporting<br>3.3 Legal structure of de Volksbank<br>Financial statements: Notes to the consolidated financial statements                        |          |
| 2-3          | Reporting period, frequency and contact point                               | Our approach to reporting   |          |
| 2-4          | Restatements of information   | Our approach to reporting   |          |
| 2-5          | External assurance  | Assurance report of the independent auditor   |          |
| 2-6          | Activities, value chain and other business relationships                    | Company profile<br>1.1.2 Strategy 2021-2025<br>1.1.3 How we create value  |          |
| 2-7          | Employees   | 2.3.4 Genuine attention for employees   |          |
| 2-8          | Workers who are not employees   | 2.3.4 Genuine attention for employees   |          |
| 2-9          | Governance structure and composition  | 3.1 Supervisory Board and Executive Committee<br>3.2 Report of the Supervisory Board  |          |
| 2-10         | Nomination and selection of the highest governance body                     | 3.1 Supervisory Board and Executive Committee   |          |
| 2-11         | Chair of the highest governance body  | 3.1 Supervisory Board and Executive Committee   |          |
| 2-12         | Role of the highest governance body in overseeing the management of impacts | 2.4.2 Sustainability governance and policies  |          |
| 2-13         | Delegation of responsibility for managing impacts                           | 2.4.2 Sustainability governance and policies  |          |
| 2-14         | Role of the highest governance body in sustainability reporting             | 3.2 Report of the Supervisory Board   |          |
| 2-15         | Conflicts of interest   | 3.1 Supervisory Board and Executive Committee   |          |
| 2-16         | Communication of critical concerns  | 2.4.3 Ethical business conduct  |          |
| 2-17         | Collective knowledge of the highest governance body                         | 3.1 Supervisory Board and Executive Committee   |          |
| 2-18         | Evaluation of the performance of the highest governance body                | 3.4 Remuneration report   |          |
| 2-19         | Remuneration policies   | 3.4 Remuneration report   |          |
| 2-20         | Process to determine remuneration   | 3.4 Remuneration report   |          |
| 2-21         | Annual total compensation ratio   | 3.4 Remuneration report   |          |
| 2-22         | Statement on sustainable development strategy                               | Foreword of the CEO<br>2.4.2 Sustainability governance and policies   |          |
| 2-23         | Policy commitments  | 2.4.2 Sustainability governance and policies<br>3.5 Codes   |          |
| 2-24         | Embedding policy commitments  | 2.4.2 Sustainability governance and policies  |          |
| 2-25         | Processes to remediate negative impacts                                     | 2.3.1 Customer relationship and service   |          |

| GRI STANDARD  | DISCLOSURE  | LOCATION/DIRECT ANSWER  | OMISSION |
|---|---|---|----------|
| 2-26  | Mechanisms for seeking advice and raising concerns  | 2.4.3 Ethical business conduct  |          |
| 2-27  | Compliance with laws and regulations  | 2.4.4 Compliance with laws and regulations  |          |
| 2-28  | Membership associations   | 2.1 General information   |          |
| 2-29  | Approach to stakeholder engagement  | 2.1 General information   |          |
| 2-30  | Collective bargaining agreements  | 2.3.4 Genuine attention for employees   |          |
| GRI 3   | Material Topics 2021  |   |          |
| 3-1   | Process to determine material topics  | 2.2.3 Materiality assessment  |          |
| 3-2   | List of material topics   | 2.2.3 Materiality assessment  |          |
| <b>MT</b>   | <b>Fair and transparent products</b>  |   |          |
| 3-3 Management of material topics:                                      | a. Actual and potential, positive and negative impact on the economy, environment and people  | 2.3.2 Fair and transparent products   |          |
|   | b. Report if the organisation is involved with the negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships   | 2.3.2 Fair and transparent products   |          |
|   | c. Describe the policies or commitments regarding the material topic  | 2.3.2 Fair and transparent products<br>2.4.2 Sustainability governance and policies |          |
|   | d. Describe actions taken to manage the topic and related impacts   | 2.3.2 Fair and transparent products   |          |
|   | e. Report information about tracking the effectiveness of the actions taken   | 2.3.2 Fair and transparent products   |          |
|   | f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective  | 2.1 General information<br>2.3.2 Fair and transparent products                      |          |
| Own indicator   | KPI active multi-customer   | 1.2 Our Strategic Progress  |          |
| Own indicator   | KPI Net Promoter Score  | 1.2 Our Strategic Progress  |          |
| Own indicator   | KPI Customer Relationship Score   | 1.2 Our Strategic Progress  |          |
| GRI 417: Requirements for products and service information and labeling | a. Whether each of the following types of information is required by the organization's procedures for product and service information and labeling:<br>i. The sourcing of components of the product or service;<br>ii. Content, particularly with regard to substances that might produce an environmental or social impact;<br>iii. Safe use of the product or service;<br>iv. Disposal of the product and environmental or social impacts;<br>v. Other (explain).<br>b. Percentage of significant product or service categories covered by and assessed for compliance with such procedures. | 2.3.2 Fair and transparent products   |          |
| <b>MT</b>   | <b>Customer relationship and service</b>  |   |          |
| 3-3 Management of material topics:                                      | a. Actual and potential, positive and negative impact on the economy, environment and people  | 2.3.1 Customer relationship and service   |          |
|   | b. Report if the organisation is involved with the negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships   | 2.3.1 Customer relationship and service   |          |
|   | c. Describe the policies or commitments regarding the material topic  | 2.3.1 Customer relationship and service   |          |

| GRI STANDARD                       | DISCLOSURE   | LOCATION/DIRECT ANSWER   | OMISSION |
|------------------------------------|--|--|----------|
|                                    | d. Describe actions taken to manage the topic and related impacts  | 2.3.1 Customer relationship and service  |          |
|                                    | e. Report information about tracking the effectiveness of the actions taken  | 2.3.1 Customer relationship and service  |          |
|                                    | f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective   | 2.1 General information<br>2.3.1 Customer relationship and service                 |          |
| Own indicator                      | KPI active multi-customer  | 1.2 Our Strategic Progress   |          |
| Own indicator                      | KPI Net Promoter Score   | 1.2 Our Strategic Progress   |          |
| Own indicator                      | KPI Customer Relationship Score  | 1.2 Our Strategic Progress   |          |
| <b>MT</b>                          | <b>Ethical business conduct</b>  |  |          |
| 3-3 Management of material topics: | a. Actual and potential, positive and negative impact on the economy, environment and people   | 2.4.3 Ethical business conduct   |          |
|                                    | b. Report if the organisation is involved with the negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships  | 2.4.3 Ethical business conduct   |          |
|                                    | c. Describe the policies or commitments regarding the material topic   | 2.4.3 Ethical business conduct   |          |
|                                    | d. Describe actions taken to manage the topic and related impacts  | 2.4.3 Ethical business conduct   |          |
|                                    | e. Report information about tracking the effectiveness of the actions taken  | 2.4.3 Ethical business conduct   |          |
|                                    | f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective   | 2.1 General information<br>2.4.3 Ethical business conduct                          |          |
| GRI 205: Anti-corruption           | a. Total number and percentage of operations assessed for risks related to corruption.<br>b. Significant risks related to corruption identified through the risk assessment.   | 2.4.3 Ethical business conduct: Anti-corruption, bribery and conflicts of interest |          |
| GRI 205: Anti-corruption           | a. Total number and percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to, broken down by region.<br>b. Total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by employee category and region.<br>c. Total number and percentage of business partners that the organization's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. Describe if the organization's anti-corruption policies and procedures have been communicated to any other persons or organizations.<br>d. Total number and percentage of governance body members that have received training on anti-corruption, broken down by region.<br>e. Total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region | 2.4.3 Ethical business conduct: Anti-corruption, bribery and conflicts of interest |          |
| GRI 205: Anti-corruption           | a. Total number and nature of confirmed incidents of corruption.<br>b. Total number of confirmed incidents in which employees were dismissed or disciplined for corruption. c. Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption.<br>d. Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.   | 2.4.3 Ethical business conduct: Anti-corruption, bribery and conflicts of interest |          |
| GRI 207: Tax                       | a. A description of the approach to tax, including:<br>i. whether the organization has a tax strategy and, if so, a link to this strategy if publicly available;<br>ii. the governance body or executive-level position within the organization that formally reviews and approves the tax strategy, and the frequency of this review;<br>iii. the approach to regulatory compliance;<br>iv. how the approach to tax is linked to the business and sustainable development strategies of the organization.   | 2.4.3 Ethical business conduct: Responsible tax policy                             |          |



| GRI STANDARD                       | DISCLOSURE  | LOCATION/DIRECT ANSWER  | OMISSION |
|------------------------------------|---|---|----------|
| GRI 207: Tax                       | <p>a. A description of the tax governance and control framework, including:</p> <ul style="list-style-type: none"> <li>i. the governance body or executive-level position within the organization accountable for compliance with the tax strategy;</li> <li>ii. how the approach to tax is embedded within the organization;</li> <li>iii. the approach to tax risks, including how risks are identified, managed, and monitored;</li> <li>iv. how compliance with the tax governance and control framework is evaluated.</li> </ul> <p>b. A description of the mechanisms for reporting concerns about unethical or unlawful behavior and the organization's integrity in relation to tax.</p> <p>c. A description of the assurance process for disclosures on tax and, if applicable, a reference to the assurance report, statement, or opinion.</p>  | 2.4.3 Ethical business conduct: Responsible tax policy                                      |          |
| GRI 207: Tax                       | <p>a. A description of the approach to stakeholder engagement and management of stakeholder concerns related to tax, including:</p> <ul style="list-style-type: none"> <li>i. the approach to engagement with tax authorities;</li> <li>ii. the approach to public policy advocacy on tax;</li> <li>iii. the processes for collecting and considering the views and concerns of stakeholders, including external stakeholders.</li> </ul>   | 2.4.3 Ethical business conduct: Responsible tax policy                                      |          |
| GRI 207: Tax                       | <p>a. All tax jurisdictions where the entities included in the organization's audited consolidated financial statements, or in the financial information filed on public record, are resident for tax purposes.</p> <p>b. For each tax jurisdiction reported in Disclosure 207-4-a:</p> <ul style="list-style-type: none"> <li>i. Names of the resident entities;</li> <li>ii. Primary activities of the organization;</li> <li>iii. Number of employees, and the basis of calculation of this number;</li> <li>iv. Revenues from third-party sales;</li> <li>v. Revenues from intra-group transactions with other tax jurisdictions;</li> <li>vi. Profit/loss before tax;</li> <li>vii. Tangible assets other than cash and cash equivalents;</li> <li>viii. Corporate income tax paid on a cash basis;</li> <li>ix. Corporate income tax accrued on profit/loss;</li> <li>x. Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax.</li> </ul> <p>c. The time period covered by the information reported in Disclosure 207-4.</p> | 2.4.3 Ethical business conduct: Responsible tax policy                                      |          |
| <b>MT</b>                          | <b>Responsible investment and financing</b>   |   |          |
| 3-3 Management of material topics: | a. Actual and potential, positive and negative impact on the economy, environment and people  | 2.2.2 Responsible investment and financing  |          |
|                                    | b. Report if the organisation is involved with the negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships   | 2.2.2 Responsible investment and financing  |          |
|                                    | c. Describe the policies or commitments regarding the material topic  | 2.2.2 Responsible investment and financing<br>2.4.2 Sustainability governance and policies  |          |
|                                    | d. Describe actions taken to manage the topic and related impacts   | 2.2.2 Responsible investment and financing  |          |
|                                    | e. Report information about tracking the effectiveness of the actions taken   | 2.2.2 Responsible investment and financing  |          |
|                                    | f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective  | 2.1 General information<br>2.2.2 Responsible investment and financing                       |          |
| Own indicator                      | KPI Climate-neutral balance sheet   | 1.2.2 Social impact<br>2.2.1 Climate change<br>2.4.2 Sustainability governance and policies |          |

| GRI STANDARD                         | DISCLOSURE  | LOCATION/DIRECT ANSWER   | OMISSION |
|--------------------------------------|---|--|----------|
| Own indicator                        | KPI Biodiversity  | 2.2.4 Biodiversity<br>2.4.2 Sustainability governance and policies                         |          |
| Own indicator                        | KPI Living wage   | 2.2.2 Responsible investment and financing<br>2.4.2 Sustainability governance and policies |          |
| <b>MT</b>                            | <b>Responsible financial results</b>  |  |          |
| 3-3 Management of material topics:   | a. Actual and potential, positive and negative impact on the economy, environment and people  | 1.3 Our financial performance  |          |
|                                      | b. Report if the organisation is involved with the negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships | 1.3 Our financial performance  |          |
|                                      | c. Describe the policies or commitments regarding the material topic  | 1.3 Our financial performance<br>4. Risk management  |          |
|                                      | d. Describe actions taken to manage the topic and related impacts   | 1.3 Our financial performance<br>4. Risk management  |          |
|                                      | e. Report information about tracking the effectiveness of the actions taken   | 1.2 Our strategic progress<br>1.3 Our financial performance                                |          |
|                                      | f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective  | 1.3 Our financial performance<br>2.1 General information                                   |          |
| GRI 201-1: Economic performance 2016 | Direct economic value generated and distributed   | 1.3 Our financial performance  |          |
| GRI 201-2: Economic performance 2016 | Financial implications and other risks and opportunities due to climate change  | 2.2.1 Climate change<br>4.9 Sustainability Risk  |          |
| GRI 201-3: Economic performance 2017 | Defined benefit plan obligations and other retirement plans   | Note 16 Provisions<br>Note 30 Staff costs  |          |
| GRI 201-4: Economic performance 2018 | Financial assistance received from government   | Note 25 Net interest income  |          |
| <b>MT</b>                            | <b>Climate impact</b>   |  |          |
| 3-3 Management of material topics:   | a. Actual and potential, positive and negative impact on the economy, environment and people  | 2.2.1 Climate change   |          |
|                                      | b. Report if the organisation is involved with the negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships | 2.2.1 Climate change   |          |
|                                      | c. Describe the policies or commitments regarding the material topic  | 2.2.1 Climate change<br>2.4.2 Sustainability governance and policies                       |          |
|                                      | d. Describe actions taken to manage the topic and related impacts   | 2.2.1 Climate change   |          |
|                                      | e. Report information about tracking the effectiveness of the actions taken   | 2.2.1 Climate change   |          |
|                                      | f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective  | 2.1 General information<br>2.2.1 Climate change  |          |

| GRI STANDARD                       | DISCLOSURE  | LOCATION/DIRECT ANSWER  | OMISSION |
|------------------------------------|---|---|----------|
| Own indicator                      | KPI Climate-neutral balance sheet   | 1.2.2 Social impact<br>2.2.1 Climate change<br>2.4.2 Sustainability governance and policies |          |
| GRI 305-1: Emissions 2016          | Direct (Scope 1) GHG emissions  | 2.2.1 Climate change  |          |
| GRI 305-2: Emissions 2016          | Energy indirect (Scope 2) GHG emissions   | 2.2.1 Climate change  |          |
| GRI 305-3: Emissions 2016          | Other indirect (Scope 3) GHG emissions  | 2.2.1 Climate change  |          |
| GRI 305-4: Emissions 2016          | GHG emissions intensity   | 2.2.1 Climate change  |          |
| GRI 305-5: Emissions 2016          | Reduction of GHG emissions  | 2.2.1 Climate change  |          |
| <b>MT</b>                          | <b>Compliance with laws and regulations</b>   |   |          |
| 3-3 Management of material topics: | a. Actual and potential, positive and negative impact on the economy, environment and people  | 2.4.4 Compliance with laws and regulations  |          |
|                                    | b. Report if the organisation is involved with the negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships | 2.4.4 Compliance with laws and regulations  |          |
|                                    | c. Describe the policies or commitments regarding the material topic  | 2.4.4 Compliance with laws and regulations  |          |
|                                    | d. Describe actions taken to manage the topic and related impacts   | 2.4.4 Compliance with laws and regulations  |          |
|                                    | e. Report information about tracking the effectiveness of the actions taken   | 2.4.4 Compliance with laws and regulations  |          |
|                                    | f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective  | 2.4.4 Compliance with laws and regulations<br>2.1 General information                       |          |
| <b>MT</b>                          | <b>Macro economics and geopolitical developments</b>  |   |          |
| 3-3 Management of material topics: | a. Actual and potential, positive and negative impact on the economy, environment and people  | Our operating environment<br>4.1.2 Top risks<br>4.4 Credit risk<br>4.5 Market risk          |          |
|                                    | b. Report if the organisation is involved with the negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships | 4.1.2 Top risks<br>4.4 Credit risk<br>4.5 Market risk                                       |          |
|                                    | c. Describe the policies or commitments regarding the material topic  | 4.1.1 Risk management elements<br>4.1.2 Top risks<br>4.4 Credit risk<br>4.5 Market risk     |          |
|                                    | d. Describe actions taken to manage the topic and related impacts   | 4.1.2 Top risks<br>4.4 Credit risk<br>4.5 Market risk                                       |          |
|                                    | e. Report information about tracking the effectiveness of the actions taken   | 4.1.2 Top risks<br>4.4 Credit risk<br>4.5 Market risk                                       |          |
|                                    | f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective  | 2.1 General information<br>4.1.2 Top risks  |          |

| GRI STANDARD                       | DISCLOSURE  | LOCATION/DIRECT ANSWER   | OMISSION |
|------------------------------------|---|--|----------|
| <b>MT</b>                          | <b>Local entrepreneurship, accessible housing and quality of life in communities</b>  |  |          |
| 3-3 Management of material topics: | a. Actual and potential, positive and negative impact on the economy, environment and people  | 2.3.3 Local entrepreneurship, accessible housing and quality of life in communities                            |          |
|                                    | b. Report if the organisation is involved with the negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships   | 2.3.3 Local entrepreneurship, accessible housing and quality of life in communities                            |          |
|                                    | c. Describe the policies or commitments regarding the material topic  | 2.3.3 Local entrepreneurship, accessible housing and quality of life in communities                            |          |
|                                    | d. Describe actions taken to manage the topic and related impacts   | 2.3.3 Local entrepreneurship, accessible housing and quality of life in communities                            |          |
|                                    | e. Report information about tracking the effectiveness of the actions taken   | 2.3.3 Local entrepreneurship, accessible housing and quality of life in communities                            |          |
|                                    | f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective  | 2.1 General information<br>2.3.3 Local entrepreneurship, accessible housing and quality of life in communities |          |
| GRI 413: Local communities 2016    | The reporting organization shall report the following information:<br>a. Percentage of operations with implemented local community engagement, impact assessments, and/or development programs, including the use of:<br>i. social impact assessments, including gender impact assessments, based on participatory processes;<br>ii. environmental impact assessments and ongoing monitoring;<br>iii. public disclosure of results of environmental and social impact assessments;<br>iv. local community development programs based on local communities' needs;<br>v. stakeholder engagement plans based on stakeholder mapping;<br>vi. broad based local community consultation committees and processes that include vulnerable groups;<br>vii. works councils, occupational health and safety committees and other worker representation bodies to deal with impacts;<br>viii. formal local community grievance processes. | 2.3.3 Local entrepreneurship, accessible housing and quality of life in communities                            |          |
| <b>MT</b>                          | <b>Corporate governance and ownership</b>   |  |          |
| 3-3 Management of material topics: | a. Actual and potential, positive and negative impact on the economy, environment and people  | 2.4.1 Corporate governance and ownership   |          |
|                                    | b. Report if the organisation is involved with the negative impacts through its activities or as a result of its business relationships and describe the activities or business relationships   | 2.4.1 Corporate governance and ownership   |          |
|                                    | c. Describe the policies or commitments regarding the material topic  | 2.4.1 Corporate governance and ownership   |          |
|                                    | d. Describe actions taken to manage the topic and related impacts   | 2.4.1 Corporate governance and ownership   |          |
|                                    | e. Report information about tracking the effectiveness of the actions taken   | 2.4.1 Corporate governance and ownership   |          |
|                                    | f. Describe how engagement with stakeholders as informed actions taken and how it has informed whether the actions have been effective  | 2.1 General information<br>2.4.1 Corporate governance and ownership  |          |

## Task Force on Climate-Related Financial Disclosures

As from 2020, de Volksbank structures its disclosure on sustainability risks along the lines of the TCFD guidelines. The TCFD specifically covers climate-related risks. Even so, we also include social and governance risks in our sustainability risk management, in addition to environmental risks such as climate-related risks. Hence, these social and governance risks are also included in our sustainability risk disclosures. All TCFD pillars are discussed in this Integrated Annual Report.

| TCFD Disclosures  | Section                  |
|---|--------------------------|
| <b>Governance</b>   |                          |
| Board oversight   | <u>2.4.2</u>             |
| Role of management  | <u>2.4.2</u>             |
| <b>Strategy</b>   |                          |
| Climate-related risk and opportunities                              | <u>4.9 &amp; 2.2.1</u>   |
| Impact on our business  | <u>4.9 &amp; 2.2.1</u>   |
| Resilience of our strategy  | <u>4.9</u>               |
| <b>Risk management</b>  |                          |
| Identifying and assessing risks                                     | <u>4.9</u>               |
| Managing risks  | <u>4.9</u>               |
| Integration of risk management in overall risk management framework | <u>4.9.2</u>             |
| <b>Metrics &amp; Targets</b>  |                          |
| Metrics used  | <u>4.9.2</u>             |
| Greenhouse gas emissions  | <u>4.9.1 &amp; 1.2.2</u> |
| Targets to manage risks   | <u>2.2.1</u>             |

| SDG  | Our positive influence   | Our negative influence or a risk thereof  |
|--|--|---|
|  <p><b>Targets:</b><br/>8.3, 8.5, 8.8, 8.10</p>   | <ul style="list-style-type: none"> <li>We contribute to a healthy economy. We facilitate payment transactions, transform financial risks and terms for market parties and individuals, and provide financial services. We do this in a socially responsible manner.</li> <li>By genuinely focussing on the professionalism, autonomy, and personal growth of our employees, they can develop and make a meaningful contribution to our mission. We want everyone to feel at home at de Volksbank and strive for equal opportunities and equal compensation for all employees.</li> </ul>   | <ul style="list-style-type: none"> <li>Currently, we (still) do not meet our own diversity target to have at least 40% female representation in management by 2025. As year-end 2023, 38% of the managers were women.</li> <li>We could damage the trust of customers and society through careless actions. In 2023, we encountered some significant instances of non-compliance with laws and regulations, in particular in relation to customer integrity, the reassessment of the capital treatment policy for exposures to Swiss Cantons and the Swiss cantonal banks guaranteed by Swiss, and one instance regarding marketing communication guidelines in which resulted in a warning.</li> </ul> |
|  <p><b>Targets:</b><br/>11.1, 11.3</p>            | <ul style="list-style-type: none"> <li>We are committed to the sustainability of our mortgage portfolio to contribute to climate-resilient homes and communities. Since 2019, we offer favourable conditions for sustainability with the ASN Mortgage to encourage customers to invest in energy-saving facilities. Additionally, customers with a home with an energy efficiency rating A or higher can get an interest rate discount on their ASN Mortgage. We offer several ways to make homes more sustainable.</li> <li>It is no longer possible to insecure diesel cars via ASN Bank's sustainable car insurance policies, and no discount for a second car within a household is provided.</li> </ul> | <ul style="list-style-type: none"> <li>Through RegioBank, we contribute to the liveability of communities. We do this through local bank branches and by stimulating entrepreneurship in small municipalities.</li> <li>We work to make the housing market more accessible, for example, for high-rent buyers.</li> </ul> <ul style="list-style-type: none"> <li>Our residential mortgage portfolio still causes 1,059 kilotonnes of CO<sub>2</sub>e emissions (based on 2021 gas- and electricity consumption data). Only 33% of our residential mortgage portfolio has a definitive energy efficiency rating of C or higher (51% does not have a definitive energy efficiency rating).</li> </ul>     |
|  <p><b>Targets:</b><br/>13.2, 13.3</p>            | <ul style="list-style-type: none"> <li>Our goal is to obtain a climate-neutral balance sheet by 2030, and a net zero balance sheet by 2050.</li> <li>We regularly inform our customers about the possibilities to make their homes more sustainable.</li> <li>In 2023, we issued € 1 billion in green bonds.</li> </ul>  | <ul style="list-style-type: none"> <li>We exclude polluting industries and activities based on our strict investment policy.</li> <li>De Volksbank was the first bank in the Netherlands, to approve Science Based Targets (SBTs) to meet the goals of the Paris Agreement.</li> </ul> <ul style="list-style-type: none"> <li>We are at 75% towards our goal to obtain a climate-neutral balance sheet by 2030, but our loans and investments still cause 1,249 kilotonnes of CO<sub>2</sub>e emissions (compared to 1,336 kilotonnes in 2022).</li> </ul>  |
|  <p><b>Targets:</b><br/>15.1, 15.A, 15.B</p>    | <ul style="list-style-type: none"> <li>In November 2021, ASN Impact Investors launched a fund primarily focussed on the restoration and protection of biodiversity: the ASN Biodiversity Fund.</li> <li>Our goal is to have a net positive effect on biodiversity by 2030 as a result of all our loans and investments that make up de Volksbank's portfolio.</li> </ul>   | <ul style="list-style-type: none"> <li>The Make Nature Count 2.0 report was published in which ASN Bank analysed the biodiversity impact of 2 investments from the ASN Biodiversity Fund and use the publication in trying to encourage this among other financial institutions.</li> </ul> <ul style="list-style-type: none"> <li>Some of our investments still (indirectly) contribute to biodiversity loss.</li> <li>Our net effect on biodiversity is still negative.</li> </ul>  |
|  <p><b>Targets:</b><br/>17.14, 17.16, 17.17</p> | <ul style="list-style-type: none"> <li>De Volksbank and its four bank brands participate in social collaborations and partnerships, such as the Partnership Carbon Accounting Financials, Platform Living Wage Financials, and Partnership Biodiversity Accounting Financials.</li> </ul>  | <ul style="list-style-type: none"> <li>We signed the Principles for Responsible Banking (PRB) and the Climate Commitment of the Dutch Financial Sector.</li> </ul> <ul style="list-style-type: none"> <li>Ineffective collaboration may cause delays.</li> </ul>  |

## Definition and methodology of strategic KPIs

The quantitative and qualitative information in this IAR and the Annual Magazine 2023 was collected on the basis of interviews and qualitative and quantitative data requests. For this purpose, we consulted those responsible within the business units and staff departments (project managers, policy officers, programme managers, etc.). Additional information, such as data on the composition of our mortgage portfolio, information on employees and environmental performance, was retrieved from central or specific information systems. The aforementioned method for measurement, estimations and calculations is relevant for all indicators related to the most material topics, unless stated otherwise.

The internal control mechanism is based on multiple levels of control. The Advisory Team Sustainability is involved in checking and reviewing information in the draft reports. The Social Impact Committee reviews and approves the content before the Executive Committee, AC and Supervisory Board give their final approval.

In this IAR we presented the progress and results of our strategic KPIs, see Section [1.2 Our strategic progress](#). In the table below we provide more details about the definition, used methodology and calculation methods of these strategic KPIs.

|   | Strategic KPI                 | Definition   |
|---|-------------------------------|--|
| 1 | Customer-weighted average NPS | The customer-weighted NPS involves the retail customer expressing a satisfaction rating (in terms of probability of recommendation). The higher the score, the more satisfied the customer is.                       |
| 2 | Active multi-customers        | An active multi-customer is a customer with a current account and at least one product from another product group. Both retail and corporate customers can be considered an active multi-customer.                   |
| 3 | Customer-weighted average KRS | The customer-weighted average KRS involves the retail customers expressing a relationship rating (in terms of satisfaction, trust and brand love). The higher the score, the stronger the perceived relationship is. |
| 4 | Genuine attention             | The extent to which employees experience genuine attention.  |
| 5 | Climate-neutral balance sheet | Our balance sheet is climate neutral when we avoid or remove as much CO <sub>2</sub> e emissions as we emit. Our climate-neutral balance sheet is measured using the PCAF methodology.                               |

### 1. Customer-weighted average NPS

De Volksbank measures the customer-weighted Net Promoter Score (NPS), a customer-loyalty metric, for all its brands on a quarterly basis. The survey is conducted by an external party which draws a representative sample from an external consumer panel for each brand. The sample size varies per brand and ranges from 500 to 1,000 customers. The customer-weighted NPS indicates the ratio between the so-called detractors and promoters on a scale from 0 to 10. Respondents are grouped as follows: 'Detractors' (scores 0 - 6), customers are on average unhappy and can damage de Volksbank's brand and impede growth through negative word-of-mouth. 'Passives' (scores 7 - 8), customers are on average satisfied but unenthusiastic and are vulnerable to competitive offerings. 'Promoters' (scores 9 - 10), are most likely enthusiastic loyal customers who will keep buying and refer others, fuelling growth. By subtracting the percentage of detractors from the percentage of promoters the NPS per brand is calculated, this figure can be somewhere between -100% and +100%. The total result of the NPS for de Volksbank is calculated as a weighted average based on the total number of retail customers per brand and is reported based on the last quarter's results.

NPS reporting per brand is also based on last quarter's reporting period. The calculation for the weighted average NPS for de Volksbank only considers the total number of retail customers per brand; SME customers are excluded. The weighted average is based on the number of customers at the end of the middle month of each quarter, aligning the NPS's measurement method that reflects the average for the relevant quarter of retail customers only.

### 2. Active multi-customers

The KPI Active multi-customer is measured every month using our internal data systems. An active multi-customer is a customer with a current account and at least one product from another product group. Both retail and corporate customers can be considered an active multi-customer. An active current account is a current account on which the customer initiated more than ten transactions for three months in a row. For customers under the age of 18, six transactions for three months in a row is enough.

### 3. Customer-weighted average KRS

The customer-weighted average Customer Relationship Score (KRS) for all banking brands (SNS, ASN Bank, RegioBank) is measured on a quarterly basis. The customers

of BLG Wonen are not included in de Volksbank's KRS as its customers are in fact customers of mortgage intermediaries. The customer-weighted average Net Promoter Score (NPS) (3) is measured for all brands (SNS, ASN Bank, RegioBank, BLG Wonen), also on a quarterly basis. Both metrics are measured in the same survey. The survey is conducted by an external party which draws a representative sample from an external consumer panel for each brand. The sample size varies per brand and ranges from 500 to 1,000 customers. The customer-weighted average KRS is based on the customers' satisfaction, trust and brand love regarding their bank. With an extended matrix the strength of the relationship is calculated. The calculation results in a 6-point scale representing the strength of the relationship: Very weak (1), Weak (2), Moderate (3), Fairly strong (4), Strong (5), Very strong (6).

The stronger the perceived relationship, the more likely the customer is to stay as a customer, to buy more products and services, to recommend de Volksbank to others and to help making social impact together. The total result of the customer-weighted average KRS for de Volksbank is calculated as a weighted average based on the total number of retail customers per brand and is reported based on the average of the whole year.

KRS reporting per brand is also based on average year's reporting period. The calculation for the customer-weighted average KRS for de Volksbank only considers the total number of retail customers per brand; SME customers are excluded. The weighted average is based on the number of customers at the end of the middle month of each quarter, aligning the customer-weighted average KRS's measurement method that reflects the average for the relevant quarter of retail customers only.

#### 4. Genuine attention

The KPI genuine attention is measured twice a year as part of the employee survey, which is conducted by a third party among all of de Volksbank's employees. In the survey, employees are asked whether they experience genuine attention.

#### 5. Climate-neutral balance sheet

##### Reporting requirements

The GHG Protocol 'Corporate Value Chain Standard' offers guidance to identify and report on emissions from relevant loans. These include emissions from loans and investments reported under scope 3, category 15: Investments, which is the banks' most material category to take into account. The progress of steering towards a climate-neutral balance sheet by 2030 takes into account both positive climate impacts (CO<sub>2</sub>e emission avoidance and CO<sub>2</sub>e removals) and negative climate impacts (CO<sub>2</sub>e emissions). We see our balance sheet to have a climate-neutral effect when the total of avoided and removed CO<sub>2</sub>e emissions is equal (or greater) than the CO<sub>2</sub>e emissions that are still being caused. We report on our GHG emissions in our annual reports in conjunction with our full-year financial results, as well as in our Interim Financial

Reports after the second quarter of each calendar year. We may also provide interim updates and standalone thematic reports when deemed relevant.

##### Scope

The KPI on a climate-neutral balance sheet includes all relevant balance sheet items of de Volksbank. Tax assets, and 'other assets' do not cause GHG emissions and are therefore set at zero emissions. Derivatives are also out of scope to avoid double counting. Tangible and intangible assets are taken into account in the emission calculations of the business operations. Consumer loans are not taken into account as the amount of loans is negligible and therefore not significant enough to include in the calculation yet. The rest of the accounting balance sheet is taken into account in the calculations of the climate-neutral balance sheet. The CO<sub>2</sub>e emission calculations are performed in accordance with the GHG Protocol's operational control approach. In our GHG accounting and reporting, we follow the principles of relevance, completeness, consistency, transparency and accuracy. Furthermore, financed emissions are always accounted for with the prudence principle in mind.

##### Reporting

All seven gases under the Kyoto protocol are taken into account and expressed in CO<sub>2</sub> equivalents using the 100-year time horizon global warming potentials determined by the Intergovernmental Panel on Climate Change (IPCC). We disclose the absolute emissions (scope 1 and 2 combined) of our loans and investments. When relevant, we also disclose financed scope 3 emissions. Avoided emissions and carbon removals are calculated and reported separately from caused emissions. Apart from absolute emissions, we report emission intensities in tonnes of carbon dioxide equivalents per million euro invested or lent out. For the mortgage portfolio, we also report on the energy efficiency rating distribution based on the latest available registered energy efficiency ratings (Rijksdienst Voor Ondernemend Nederland, RVO).

##### Methodology

We have been involved in initiating PCAF in 2016 and chairing it for the first four years. PCAF aims to develop a uniform standard for the financial sector for calculating and reporting on their financed emissions. In recent years, PCAF has grown into a global collaborative initiative taking into account the efforts and expertise of more than 430 financial institutions around the world at the time of writing. At the end of 2022 PCAF published its latest version of the global GHG accounting and reporting standard.

We apply this version of the methodology but deviate on sovereign bonds and residential mortgages. On residential mortgages where we apply a more strict approach and attribute full emissions to our assets instead of a loan-to-value based attribution approach. On sovereign bonds we still apply a calculation methodology developed within PCAF Netherlands instead of the methodology. We intend to apply both changes in the transition to net zero target measurement.



**Process**

For new loans and green bonds the most recent emissions data is used. Emission factors and data sources used for the calculations are updated annually in the second quarter to ensure we use recent data in our calculations. Our Sustainability Expertise Centre department collects emission data and financial data from investees and makes calculations for the climate-neutral balance sheet on a monthly basis. The results are discussed and approved by the Social Impact Committee on a quarterly basis. The results are also processed in relevant management and risk reports.

**Data quality**

For each of the asset classes, we apply the corresponding data quality scores of the PCAF methodology. The weighted average data quality score for all assets in the climate-neutral balance sheet calculation was calculated at 2.8 (1 = highest data

quality; 5 = lowest data quality). We continually strive to increase the data quality of the data in our calculations. In 2022, we updated the anonymised energy consumption data of the customers in our mortgage portfolio. In order to do so, we clustered the mortgage portfolio using brand, definitive or preliminary energy efficiency rating, and the energy efficiency rating categorization (A++++ to G). The grid operators linked gas- and electricity consumption to the portfolio and returned the results aggregated on cluster level. As such, characteristics like the presence of a preliminary energy efficiency rating are only used to cluster and not directly for carbon accounting purposes. The data have not been updated in 2023. The gas consumption data and electricity consumption data covered 91% and 95% of the residential mortgages customer base, respectively. For the asset class-specific considerations and data sources used in our calculations, see the table on the next page.

| Asset class        | Methodology              | Reference to chapter                    | Considerations on attribution  | Data sources used in calculations  | Current data quality sources |
|--------------------|--------------------------|---|--|--|------------------------------|
| Unlisted equity    | PCAF Global GHG standard | 5.2. Business loans and unlisted equity | Attribution based on book value.   | Annual and environmental reports of counterparties.  | 2.8                          |
| Sovereign bonds    | PCAF NL 2019 report      | 3.4.1. Sovereign bonds <sup>1</sup>     | Attribution based on outstanding nominal amount.   | Scope 1, 2 and 3 emissions are calculated, based on Eurostat input/output data, air emission accounts per sector and central government debt.  | 5.0                          |
| Corporate bonds    | PCAF Global GHG standard | 5.1. Listed equity and Corporate bonds  | Attribution based on outstanding nominal amount.   | Reported emissions derived from annual reports and sustainability reports. In the case of earmarked bonds the reported emissions, avoided emissions and carbon removals are used. <sup>2</sup>   | 4.4                          |
| Private mortgages  | PCAF Global GHG standard | 5.5. Mortgages                          | Attribution based on market value. 100% of emissions are attributed instead of a loan-to-value approach. | Emissions are calculated based on actual gas- and electricity consumption over de Volksbank's 2021 mortgage portfolio. The consumption data is converted to CO <sub>2</sub> equivalents using the TTW value for natural gas from co2emissiefactoren.nl (updated in January 2023), and the emission factor for electricity for 2021 in the Netherlands as calculated by the integral method by the CBS. | 2.2                          |
| Business mortgages | PCAF Global GHG standard | 5.5. Mortgages                          | Attribution based on market value.   | Emissions are calculated based on emission factors using the PCAF web-based emission factor database based on emission factors per asset value.  | 5.0                          |
| Business loans     | PCAF Global GHG standard | 5.2. Business loans and unlisted equity | Attribution based on book value.   | Klimaatmonitor Waterschappen (2022), Regionale klimaatmonitor Rijksoverheid (2022), AEDES benchmark (2022), annual and environmental reports of counterparties. If no data was available, the PCAF web-based emission factor database was used based on emission factors per asset value.  | 2.8                          |
| Project finance    | PCAF Global GHG standard | 5.3. Project finance                    | Attribution based on book value.   | Ex-ante estimates of emissions and avoided emissions based on P90 energy generation values from due diligence reports.   | 3.2                          |

<sup>1</sup> The PCAF Global GHG standard has been updated in December 2022 with a methodology for sovereign bonds. We have not applied this methodological update yet. We will take this into account along with other methodological alterations when we transition to reporting on our net zero target for the 2024 reporting year.

<sup>2</sup> The PCAF Global GHG standard does not provide a methodology for green bonds yet. Green bonds are interpreted as corporate bonds until a methodology is provided within the PCAF Global GHG standard.

## Definitions of material topics

| Material topic  | Definition   |
|---|--|
| Climate change  | We want to make a positive contribution to the climate by limiting our direct and indirect emissions, actively supporting our customers to reduce their negative climate impact, and collaborating with partners to develop industry standards for impact measurement. We also need to adapt to the already changing climate and be aware of the financial implications of climate change on our business. |
| Responsible investment and financing  | We incorporate sustainability into all our financing and investment decisions for both our own balance sheet as well as for our investment funds. Our approach consists of exclusion criteria to avoid negative environmental and social impacts, and sustainability criteria to increase our positive contribution.   |
| Customer relationship and service   | We want to stand out from our peers as the bank with the strongest customer relationship by helping customers in the best possible way, not only with questions or complaints, but also by providing them with proactive solutions. We value a strong customer relationship and a local presence through our branches and shops.   |
| Fair and transparent products   | We are constantly working on understandable products where the customer's interests are central. We strive to be transparent regarding the impact of our products and services to our customers.   |
| Local entrepreneurship, accessible housing and quality of life in communities | We strive for close social cooperation with a broad group of stakeholders and include their input as much as possible. We actively support entrepreneurship, accessibility of the housing market and quality of life in communities. Our banking services furthermore stimulate economic development at a regional and national level.   |
| Corporate governance and ownership  | We want to organise the bank in a structured and honest way that fits our vision. We will make more concrete plans for the positioning of our social identity, including our stance on the feasibility for different ownership options in the future.  |
| Ethical business conduct  | We are committed to honest and ethical business practices, in a transparent manner. We do this among other things through our responsible tax policy and measures to prevent corruption. We speak for the interests of our customers and society through balanced political engagement in line with our sustainability policies.   |
| Compliance with laws and regulations  | We adhere to all laws and regulations applicable to the financial services sector.   |
| Macro-economic and geopolitical developments                                  | We want to understand and consider the external developments which influence our operating environment such as fluctuations in interest rates, geopolitical instability, and developments in the Dutch housing market.   |
| Responsible financial results   | We are committed to being a financially healthy bank, with a solid return and a strong capital position.   |

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