de volksbank
Pillar 3 Report 2023

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1. Introduction

1.1 Introduction to Pillar 3

De Volksbank's Pillar 3 report deals with capital adequacy and risk management and has been approved by the management body. It contains the bank's main financial ratios and provides insight into aspects such as our capital position, the size and composition of capital and how the capital is related to risks, as expressed in risk-weighted assets. These ratios can also be found in the 2023 Integrated Annual Report.

The Pillar 3 report allows us to be transparent and comply with the reporting requirements from the European Capital Requirements Regulation (CRR). It provides information on all the topics mentioned in the Regulation to the extent that they apply to de Volksbank.

The Pillar 3 report is published separately to de Volksbank's 2023 Integrated Annual Report, which also contains a detailed explanation of capital and risk management. The information included in the Integrated Annual Report and the information in this report are consistent and partially overlap.

To make this report more readable, rows and columns in the tables have been omitted where they are not populated because de Volksbank does not have any exposure related to these rows or columns respectively. In these cases the numbering of rows or columns has not been altered. The tables are simultaneously presented in an Excel file in their entirety on our website www.devolksbank.nl.

The Pillar 3 report has been prepared in millions of euros (€) unless stated otherwise. The euro is the functional and reporting currency of de Volksbank. Small differences to figures in the (Interim) Financial Reports may occur due to rounding. Numbers presented throughout this document may not precisely add up to the totals due to rounding in some cases.

Where disclosures have been enhanced, we do not restate prior year comparatives, unless stated otherwise.

The mandatory Pillar 3 information of de Volksbank is disclosed every six months, which is the regular disclosure scheme of de Volksbank. These disclosures also include the mandatory quarterly tables.

If it is deemed necessary, interim updates on key issues are provided in de Volksbank's press releases or on its website.

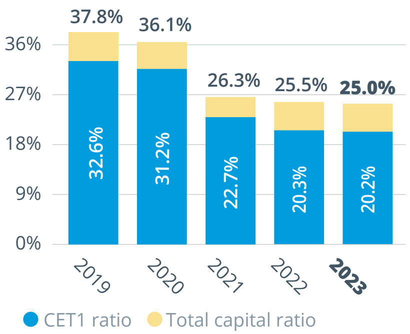
The Pillar 3 disclosures have been subject to de Volksbank's internal controls and validation mechanisms, to provide assurance over the information disclosed in this report as well as with regards to compliance with laws and regulations.
The information in the Pillar 3 report has not been audited or reviewed by de Volksbank's external auditor.

1.2 Key figures and Management statement

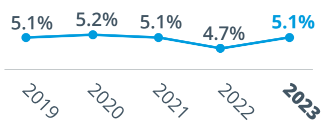
Capital management

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



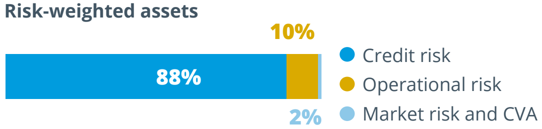
Leverage ratio



Common Equity Tier 1 ratio year-end 2023

20.2%

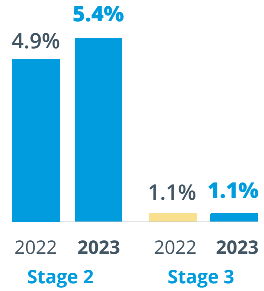
Risk-weighted assets



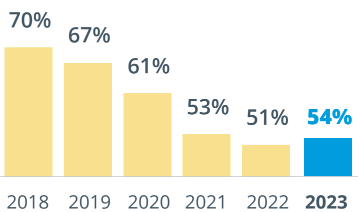
Credit risk

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 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

Residential mortgages

4% Other corporate & government

2% SME loans

Liquidity risk

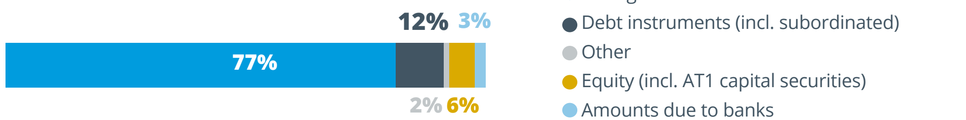
The bank has a strong liquidity position to continuously meet its financial obligations. Savings are our main source of funding. In 2023, the liquidity position remained substantially above de Volksbank's minimum target and regulatory minimum requirements. Hence, we regard the size and composition of 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 A/A2

Funding mix



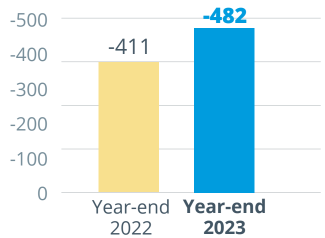
Market risk

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.

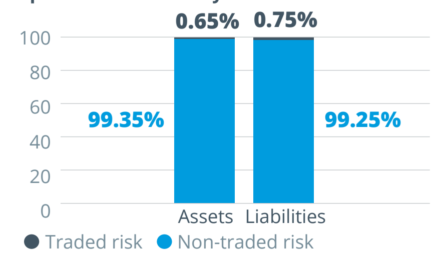
Volume of Earnings at Risk year-end 2023

€ 53 MILLION

Basis point value (in € 1,000)



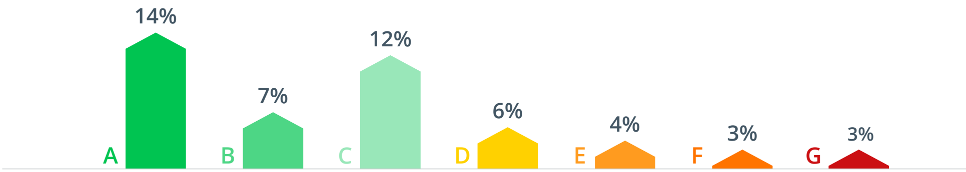
Exposure market risk year-end 2023



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.

RISK MANAGEMENT

De Volksbank aims to live up to its 'banking with a human touch' mission. We are 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(s) over a long-term horizon. As a bank with a strong social identity, we want to build a strong customer relationship and increase the social impact that we make.

Our risk management recognises developments that might impede that mission and identifies initiatives that fit in with de Volksbank's objectives. In doing so, we take into account the interests of all of our four stakeholders, i.e. customers, society, employees and shareholder. 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.

TOP RISKS

De Volksbank primarily 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. 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.

For an overview of how our current risk profile scores in relation to our risk appetite we refer to section 3.1 Institution risk management approach in this report.

STRATEGIC RISKS

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.

SUSTAINABILITY RISK

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 ESG risk drivers, or to the risk of causing negative impacts on the environment or society through its activities or its counterparties.

This supports a holistic view of Environmental, Social and Governance (ESG) risk drivers within the bank's business strategy, governance, risk management framework, organisational structure and reporting practices.

We divide sustainability risk into three sub-risk types: environmental risk, social risk and governance risk.

De Volksbank's risk appetite statement supports its strategy to be a sustainable bank with the strongest customer relationships and the highest proven social impact in the Netherlands. 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 at the same time decreases 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 also increasingly 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.

De Volksbank has exposures in sectors that significantly contribute to climate change, mostly in the electricity, gas and steam sector. 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 assess our exposure to transition risk in sectors that highly contribute to climate change to be low.

OPERATIONAL RISKS

Besides being exposed to financial risks, de Volksbank is exposed to operational risks, caused by internal and external factors and developments. 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 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.

The Executive Committee (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. The Operational Risk Committee (ORC) reviews and assesses the status and progress of most of the various sub risk types on a monthly basis, while for some risk types a dedicated risk committee is in place, e.g. the Model Governance Committee (MGC) and the Client Integrity Risk Committee (CIRC). Overall, the operational risk score was outside our risk appetite in 2023. To meet the risk appetite requirements for relevant operational risk sub types we set up dedicated ‘Path to Green’ programmes, which are currently being executed.

CREDIT RISK

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.

As part of credit risk management, we internally assess and monitor the credit standing of our customers and 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.

MARKET RISK

Market risk in the banking book mainly comprises market interest rate risk, i.e. the risk that the bank’s future interest income deteriorates if market rates change. This risk is part and parcel of a bank that provides mortgage and savings products. In addition, tradable securities in the liquidity portfolio are sensitive to value decreases as a consequence of 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. De Volksbank has a limited trading portfolio that includes interest rate, credit spread and foreign currency exposures.

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

LIQUIDITY MANAGEMENT AND FUNDING STRATEGY

De Volksbank has a strong liquidity position, enabling it to meet its financial obligations at all times. We manage our liquidity position such that it is 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.

De Volksbank centrally manages its liquidity position, cash flows and liquidity risks. The risk management cycle 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.

CAPITAL MANAGEMENT

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.

There are no intragroup transactions and/or transactions with related parties that have a material impact on the risk profile of the consolidated group.

PILLAR 3 PROCESS AND MANAGEMENT STATEMENT

The Pillar 3 disclosures are predominantly based on information used in prudential, financial and management reporting. The data is obtained from several departments and aggregated within the Risk and Finance divisions in conjunction with information used in the management or annual reports. In addition, the Risk and Finance divisions check whether the information complies with the requirements noted in the CRR/ CRD. The information has been presented to and approved by the Executive Board and the (respective committees of the) Supervisory Board. Together they form the Management Body of de Volksbank. The Executive Board ('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 Management Body thereby verifies that the Pillar 3 report conveys the risk profile of de Volksbank comprehensively to market participants. In addition, the Executive Board verifies that these Pillar 3 disclosures are made in accordance with the formal policies, and internal processes, systems and controls.

The Executive Board of de Volksbank is responsible for the set-up, presence and operation of the (risk) management and control system. This system is designed to manage risks, to ensure that de Volksbank is not prevented from achieving its strategic operational and financial objectives, that reporting on financial and non-financial performance indicators is reliable and that laws and regulations are complied with. The Management Body of de Volksbank N.V. confirms that the risk management systems of de Volksbank are adequate with regard to the risk profile and business strategy of all of the identified and abovementioned risks.

Utrecht,

March 7, 2024

EXECUTIVE BOARD

Martijn Gribnau (Chief Executive Officer and Chairman)
André Haag (Chief Financial Officer)
Jeroen Dijst (Chief Risk Officer)
Marinka van der Meer (Chief Customer Officer)

For further in-depth information see chapter 3 Risk management objectives and policies.

1.3 Scope of application

BASIS OF DISCLOSURE

De Volksbank prepares the Pillar 3 disclosures in accordance with the Capital Requirements Regulations 2013/575/EU (CRR), the Capital Requirements Directive 2013/36/EU (CRD) and related legislation. The basis for preparation of the Pillar 3 disclosures are the consolidated financial statements in accordance with IFRS, as adopted within the European Union. The information in this report relates to de Volksbank N.V. and all of its subsidiaries. The prudential scope of consolidation for the purpose of calculating regulatory capital is the same as the IFRS scope of consolidation of de Volksbank.

For more information about the accounting principles and basis for consolidation, please refer to the Integrated Annual Report (IAR) 2023.

EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories 2023

in € millions	a/b Carrying values as reported in published financial statements and under scope of prudential consolidation	c Carrying values of items: Subject to credit risk framework	d Subject to counterparty credit risk framework[1]	e Subject to the securitisation framework	f Subject to the market risk framework	g Not subject to own funds requirements or subject to deduction from own funds
Assets						
Cash and cash equivalents	5,891	5,891	-	-	-	-
Derivatives	2,544	-	2,544	-	445	-
Investments	6,733	6,599	-	117	17	-
Loans and advances to banks	4,671	4,101	570	-	-	-
Loans and advances to customers	50,847	50,843	-	-	4	-
Tangible and intangible assets	77	72	-	-	-	5
Tax assets	14	14	-	-	-	-
Other assets	283	283	-	-	-	-
Total assets	**71,060**	**67,803**	**3,114**	**117**	**466**	**5**
Liabilities						
Derivatives	1,121	-	1,121	-	436	-
Amounts due to banks	1,947	-	1,536	-	-	411
Savings	43,623	-	-	-	-	43,623
Other amounts due to customers	11,287	-	-	-	-	11,287
Debt certificates	7,935	-	-	-	-	7,935
Subordinated debts	500	-	-	-	-	500
Provisions	44	-	-	-	-	44
Tax liabilities	82	-	-	-	-	82
Other liabilities	430	-	-	-	-	430
Total Liabilities	**66,969**	**-**	**2,657**	**-**	**436**	**64,312**
	-	-	-	-	-	-
Share capital	381	-	-	-	-	381
Reserves	2,981	-	-	-	-	2,981
Net result for the period	431	-	-	-	-	431
AT1 capital securities	298	-	-	-	-	298
Total equity	**4,091**	**-**	**-**	**-**	**-**	**4,091**
Total equity and liabilities	**71,060**	**-**	**2,657**	**-**	**436**	**68,403**

1 This concerns repurchase agreements and derivatives, which are mainly part of an GMRA or ISDA master netting agreement.

Items subject to credit risk decreased to € 67.8 billion (2022: € 69.0 billion), mainly due to a decrease in balances at central banks and a decrease in loans and advances to banks. This was mitigated by an increase in loans and advances to customers. Items subject to counterparty credit risk decreased to € 5.8 billion (2022: €7.6 billion). This was mainly due to a decrease in the positive current market value of derivatives, as well as the related cash collateral received.

EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories 2022

	a/b	c	d	e	f	g
		Carrying values of items:				
in € millions	Carrying values as reported in published financial statements and under scope of prudential consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework[1]	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Assets						
Cash and cash equivalents	8,011	8,011	-	-	-	-
Derivatives	3,302	-	3,302	-	355	-
Investments	5,591	5,497	-	70	25	-
Loans and advances to banks	6,884	6,177	707	-	-	-
Loans and advances to customers	48,966	48,966	-	-	-	-
Tangible and intangible assets	85	79	-	-	-	6
Tax assets	67	67	-	-	-	-
Other assets	249	249	-	-	-	-
Total assets	**73,155**	**69,046**	**4,009**	**70**	**380**	**6**
Liabilities						
Derivatives	924	-	924	-	318	-
Amounts due to banks	2,805	-	2,680	-	232	125
Savings	44,501	-	-	-	-	44,501
Other amounts due to customers	12,649	-	-	-	-	12,649
Debt certificates	7,544	-	-	-	-	7,544
Subordinated debts	500	-	-	-	-	500
Provisions	66	-	-	-	-	66
Tax liabilities	6	-	-	-	-	6
Other liabilities	452	-	-	-	-	452
Total other liabilities	**69,447**	**-**	**3,604**	**-**	**550**	**65,843**
Share capital	381	-	-	-	-	381
Reserves	2,838	-	-	-	-	2,838
Net result for the period	191	-	-	-	-	191
AT1 capital securities	298	-	-	-	-	298
Total equity	**3,708**	**-**	**-**	**-**	**-**	**3,708**
Total equity and liabilities	**73,155**	**-**	**3,604**	**-**	**550**	**69,551**

1 This concerns derivatives, which are mainly part of an ISDA master netting agreement.

EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements 2023

	in € millions	a	b	c	d	e
				Items subject to:		
		Total	Credit risk framework	Securitisation framework	CCR framework[1]	Market risk framework
1	Assets carrying value amount under scope of prudential consolidation (as per template LI1)	71,055[2]	67,803	117	3,114	466
2	Liabilities carrying value amount under regulatory scope of prudential consolidation (as per template LI1)	2,657	-	-	2,657	436
3	**Total net amount under the scope of prudential consolidation**	**68,398**	**67,803**	**117**	**457**	**30**
4	Off-balance-sheet amounts	2,857	2,857[3]	-	-	
5	Differences in valuations	-4	-4	-	-	
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	
7	Differences due to consideration of provisions	118	118	-	-	
8	Differences due to the use of credit risk mitigation techniques (CRMs)	-4	-4	-	-	
9	Differences due to credit conversion factors	-707	-707	-	-	
10	Differences due to Securitisation with risk transfer	-	-	-	-	
11	Other differences	1,760	1,299	-	460	
12	**Exposure amounts considered for regulatory purposes**	**72,418**	**71,363**	**117**	**918**	**30**

1 This concerns repurchase agreements and derivatives, which are mainly part of a GMRA or ISDA master netting agreement.
2 Excluding assets not subject to capital requirements or subject to deduction from capital as per template EU-LI1 column g.
3 After credit conversion factor.

EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements 2022

	in € millions	a	b	c	d	e
				Items subject to:		
		Total	Credit risk framework	Securitisation framework	CCR framework[1]	Market risk framework
1	Assets carrying value amount under scope of prudential consolidation (as per template LI1)	73,149[2]	69,046	70	4,009	380
2	Liabilities carrying value amount under regulatory scope of prudential consolidation (as per template LI1)	3,604	-	-	3,604	550
3	**Total net amount under the scope of prudential consolidation**	**69,545**	**69,046**	**70**	**405**	**-170**
4	Off-balance-sheet amounts	2,991	2,991[3]	-	-	
5	Differences in valuations	-4	-4	-	-	
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	
7	Differences due to consideration of provisions	98	98	-	-	
8	Differences due to the use of credit risk mitigation techniques (CRMs)	-5	-5	-	-	
9	Differences due to credit conversion factors	-737	-737	-	-	
10	Differences due to Securitisation with risk transfer	-	-	-	-	

in € millions	a Total	b Items subject to: Credit risk framework	c Securitisation framework	d CCR framework[1]	e Market risk framework
11 Other differences	2,318	2,040	-	278	
12 Exposure amounts considered for regulatory purposes	**74,205**	**73,428**	**70**	**683**	**-170**

1 This concerns derivatives, which are mainly part of an ISDA master netting agreement.
2 Excluding assets not subject to capital requirements or subject to deduction from capital as per template EU-LI1 column g.
3 After credit conversion factor.

EXPLANATIONS OF DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY EXPOSURE AMOUNTS

The main differences between the carrying value of assets in the financial statements and the exposure amounts considered for regulatory purposes per year-end 2023 can be explained by the following elements:

- inclusion of off-balance sheet liabilities and the effect of credit conversion factors (shown in row 4 and 9)
- loan loss provisions are not taken into account in the IRB exposure value of residential mortgages (shown in row 7)
- exclusion of fair value adjustments from hedge accounting (shown in row 11)
- different valuation of derivatives due to netting rules (shown in row 11)
- inclusion of an add-on for derivatives and a multiplier of 1,4 (shown in row 11)
- the exclusion of items that are capital deducted (shown in row 11)

For further information on the differences in the IRB exposure value of residential mortgages, see section 7.4 Use of the AIRB approach to credit risk.

As the prudential scope of consolidation for the purpose of calculating regulatory capital is the same as the IFRS scope of consolidation of de Volksbank, template EU LI3 is not applicable and therefore not disclosed.

EU PV1: Prudent valuation adjustments (PVA) 2023

	Category level AVA in € millions	a Risk category Equity	b Interest Rates	c Foreign exchange	d Credit	e Commodities	EU e1 Category level AVA - Valuation uncertainty Unearned credit spreads AVA	EU e2 Investment and funding costs AVA	f Total category level post-diversification	g Of which: **Total core approach** in the trading book	h Of which: **Total core approach** in the banking book
12	**Total Additional Valuation Adjustments (AVAs)**								4	--	--

EU PV1: Prudent valuation adjustments (PVA) 2022

	Category level AVA in € millions	a Risk category Equity	b Interest Rates	c Foreign exchange	d Credit	e Commodities	EU e1 Category level AVA - Valuation uncertainty Unearned credit spreads AVA	EU e2 Investment and funding costs AVA	f Total category level post-diversification	g Of which: **Total core approach** in the trading book	h Of which: **Total core approach** in the banking book
12	**Total Additional Valuation Adjustments (AVAs)**								4	--	--

De Volksbank uses the Simplified approach for calculating the prudent valuation adjustment for fair valued positions, hence only the additional valuation adjustments is reported in the tables above.

OTHER QUALITATIVE INFORMATION ON THE SCOPE OF APPLICATION
There is no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities between the de Volksbank and its subsidiaries.

All subsidiaries are included in the prudential scope of consolidation for the purpose of calculating regulatory capital. Therefore, the aggregate amount by which the actual own funds are less than the required minimum in subsidiaries not included in the consolidation scope is nil.

According to the CRR de Volksbank is required to comply with prudential and liquidity requirements on a consolidated and individual basis. In 2022, de Volksbank received a waiver for the prudential requirements on an individual basis in accordance with article 7 CRR. De Volksbank does not make use of derogation referred to in Article 9 CRR.

1.4 Detailed index of Pillar 3 references

The Pillar 3 disclosure requirements are described in Part Eight of the CRR 2. The table below provides insight into these requirements and states where the reader can find this information in the Pillar 3 report and/or the Integrated Annual Report.

CRR 2 article	Pillar 3 disclosure requirements	Location in Pillar 3 report	Notes
435	Disclosure of risk management objectives and policies	Section 1.2 Key figures and Management Statement Chapter 3 Risk management objectives and policies Chapter 4 Own funds Chapter 5 Leverage Section 7.1.1 General qualitative information regarding credit risk Section 8.1 Qualitative disclosure requirements regarding CCR Section 10.2 Interest rate risk not included in the trading portfolio Chapter 11 Operational risk See also the Integrated Annual Report of de Volksbank	Chapter 3 in the Integrated Annual Report addresses subjects of the risk committees and the governance provisions. Chapter 1 discusses in Section 1.1 Our strategy and in Section 1.2 Our strategic progress.
436	Disclosure of the scope of application	Section 1.3 Scope of application	
437	Disclosure of own funds	Chapter 4 Own funds	In Section 1.3 Scope of application the basis for consolidation is included.
437a	Disclosure of own funds and eligible liabilities	Not included	De Volksbank is not considered an institution of global systemic importance and therefore not subject to article 92a or 92b CRR.
438	Disclosure of own funds requirements and risk weighted exposure amounts	Section 2.2 Overview of RWA Section 2.3 ICAAP information (including CRR/CRD IV requirements) Section 4.2 Own funds Section 4.3 Macro prudential supervisory measures	
439	Disclosure of exposures to counterparty credit risk	Chapter 8 Counterparty credit risk (CRR)	
440	Disclosure of countercyclical capital buffers	Section 4.3 Macroprudential supervisory measures	
441	Disclosure of indicators of global systemic importance	Not included	De Volksbank is not considered an institution of global systemic importance.
442	Disclosure of exposures to credit risk and dilution risk	Section 7.1.1 General qualitative information regarding credit risk Section 7.1.2 General quantitative information regarding credit risk	
443	Disclosure of encumbered and unencumbered assets	Section 6.3 Encumbered and unencumbered assets	
444	Disclosure of the use of the Standardised Approach	Section 7.3 Use of the Standardised Approach	
445	Disclosure of exposure to market risk	Section 10.1 Market risk qualitative disclosure	

CRR 2 article	Pilaar 3 disclosure requirements	Location in Pillar 3 report	Notes
446	Disclosure of operational risk management	Chapter 11 Operational risk	
447	Disclosure of key metrics	Section 2.1 Key metrics	
448	Disclosure of exposures to interest rate risk on positions not held in the trading book	Section 10.2 Interest rate risk not included in the trading portfolio	
449	Disclosure of exposures to securitisation positions	Chapter 9 Securitisation	
449a	Disclosure of environmental, social and governance risks (ESG risks)	Chapter 13 Sustainability risk	
450	Disclosure of remuneration policy	Chapter 12 Remuneration policy	Section 3.4 in the Integrated Annual Report of de Volksbank also contains information about the remuneration report.
451	Disclosure of the leverage ratio	Chapter 5 Leverage ratio	
451a	Disclosure of liquidity requirements	Section 6.1 Liquidity risk management Section 6.2 Liquidity Coverage Ratio Section 6.4 Net Stable Funding Ratio	
452	Disclosure of the use of the IRB Approach to credit risk	Section 7.4 Use of the AIRB approach to credit risk	
453	Disclosure of the use of credit risk mitigation techniques	Section 7.2 Use of credit risk mitigation techniques	
454	Disclosure of the use of the Advanced Measurement Approaches to operational risk	Not included	De Volksbank does not use internal models to calculate capital requirements for operational risk.
455	Use of internal market risk models	Not included	De Volksbank does not use internal models to calculate capital requirements for market risk.

1.5 Tables that are out of scope for de Volksbank

The following tables are not applicable to de Volksbank and therefore not included in this report.

Table	Description	Reason of exclusion
EU INS1	Insurance participations	De Volksbank does not hold any own fund instruments in insurance or re-insurance undertakings or insurance holding company not deducted from own funds.
EU INS2	Financial conglomerates information on own funds and capital adequacy ratio	De Volksbank is not (part of) a financial conglomerate.
EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)	The prudential scope of consolidation for the purpose of calculating regulatory capital is the same as the IFRS scope of consolidation of de Volksbank.
EU CR7	AIRB approach – Effect on the RWAs	De Volksbank does not use credit derivatives as a form of security or as an instrument to hedge credit risk.
EU CR9.1	IRB approach – Back-testing of PD per exposure class	De Volksbank does not apply CRR article 180(1)(f).
EU CR10	Specialised lending and equity exposures under the simple risk weighted approach	De Volksbank does not use the Internal Ratings Based approach for specialised lending and equity exposures.
EU MR2-A	Market risk under the Internal Model Approach (IMA)	De Volksbank does not use the Internal Model Approach to calculate own funds requirements for market risk.
EU MR2-B	RWA flow statements of market risk exposures under the IMA	De Volksbank does not use the Internal Model Approach to calculate own funds requirements for market risk.
EU MR3	IMA values for trading portfolio	De Volksbank does not use the Internal Model Approach to calculate own funds requirements for market risk.
EU MR4	Comparison of VaR estimates with gains/losses	De Volksbank does not use the Internal Model Approach to calculate own funds requirements for market risk.
EU CCR4	IRB approach – CCR exposures by portfolio and PD scale	De Volksbank does not use the Internal Ratings Based approach for counterparty credit risk exposures
EU CCR6	Credit derivative exposures	De Volksbank does not use credit derivatives as a form of security or as an instrument to hedge credit risk
EU CCR7	RWEA flow statements of credit exposures under the IMM	De Volksbank does not use the Internal Ratings Based approach for counterparty credit risk exposures
EU SEC2	Securitisation exposures in the trading book	De Volksbank does not have any trading book securitisation exposures.
EU SEC3	Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor	Where de Volksbank is the originator institution of securitisation, own funds requirements are calculated on the securitised exposures instead of securitisation positions from the securitisations.
EU REM3	Deferred remuneration	De Volksbank does not grant deferred remuneration.
EU REM4	Remuneration of 1 million EUR or more per year	De Volksbank does not have staff that have been remunerated €1 million or more per financial year.
EU KM2	Key metrics – MREL and, where applicable, G-SII requirements for own funds and eligible liabilities	De Volksbank is not a Globally Systemically Important Institution (G-SII).
EU TLAC1	Composition - MREL and, where applicable, G-SII Requirement for own funds and eligible liabilities	De Volksbank is not a Globally Systemically Important Institution (G-SII).
EU TLAC2	Creditor ranking - Entity that is not a resolution entity	De Volksbank is not a Globally Systemically Important Institution (G-SII).
EU TLAC3	Creditor ranking - resolution entity	De Volksbank is not a Globally Systemically Important Institution (G-SII).
EU iLAC	Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs	De Volksbank is not a Globally Systemically Important Institution (G-SII).
ESG Template 4	Banking book - Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms	As a result of our sustainability policies we exclude almost all activities in the fossil fuel, mining, and iron, steel and coke production sector and therefore we have no exposure to the top 20 carbon-intensive firms.

De Volksbank does not have a NPE ratio equal to or higher than 5%. The reporting threshold of Article 8 (3) of Regulation (EU) 2021/637 is thus not met and therefore the following tables are not included in this report.

Table	Description
EU CR2a	Changes in the stock of non-performing loans and advances and related accumulated recoveries
EU CQ2	Quality of forbearance
EU CQ6	Collateral valuation – loans and advances
EU CQ8	Collateral obtained by taking possession and execution processes – vintage breakdown

2. Key metrics and overview of RWA

2.1 Key metrics

EU KM1 - Key Metrics

		a	b	c	d	e
		31-12-2023	30-9-2023	30-6-2023	31-3-2023	31-12-2022
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	3,319	3,240	3,167	3,187	3,101
2	Tier 1 capital	3,616	3,537	3,465	3,484	3,399
3	Total capital	4,116	4,037	3,965	3,984	3,899
	Risk-weighted exposure amounts					
4	Total risk exposure amount	16,470	15,828	15,558	15,595	15,306
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	20.15%	20.47%	20.36%	20.43%	20.26%
6	Tier 1 ratio (%)	21.96%	22.35%	22.27%	22.34%	22.20%
7	Total capital ratio (%)	24.99%	25.51%	25.49%	25.55%	25.47%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU-7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3.00%	3.00%	3.00%	3.00%	3.00%
EU-7b	of which: to be made up of CET1 capital (percentage points)	1.69%	1.69%	1.69%	1.69%	1.69%
EU-7c	of which: to be made up of Tier 1 capital (percentage points)	2.25%	2.25%	2.25%	2.25%	2.25%
EU-7d	Total SREP own funds requirements (%)	11.00%	11.00%	11.00%	11.00%	11.00%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
EU-8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0%	0.0%	0.0%	0.0%	0.0%
9	Institution specific countercyclical capital buffer (%)	1.0%	1.0%	1.0%	0.0%	0.0%
EU-9a	Systemic risk buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
10	Global Systemically Important Institution buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU-10a	Other Systemically Important Institution buffer (%)	1.0%	1.0%	1.0%	1.0%	1.0%
11	Combined buffer requirement (%)	4.5%	4.5%	4.5%	3.5%	3.5%
EU-11a	Overall capital requirements (%)	15.5%	15.5%	15.5%	14.5%	14.5%
12	CET1 available after meeting the total SREP own funds requirements (%)	13.71%	14.1%	14.02%	14.09%	14.07%
	Leverage ratio					
13	Total exposure measure	70,375	71,005	71,727	71,258	71,716
14	Leverage ratio (%)	5.14%	4.98%	4.83%	4.89%	4.74%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU-14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU-14b	of which: to be made up of CET1 capital (percentage points)	0.0%	0.0%	0.0%	0.0%	0.0%
EU-14c	Total SREP leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.0%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU-14d	Leverage ratio buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU-14e	Overall leverage ratio requirement (%)	3.0%	3.0%	3.0%	3.0%	3.0%

De Volksbank's CET1 ratio remained virtually unchanged at 20.2% (year-end 2022: 20.3%). This slight decrease was due to an increase in risk weighted assets (RWA) partly offset by an increase in CET1 capital. After profit appropriation by the General Meeting of Shareholders (GMS) in April 2023, € 63 million was added to the CET1 capital, resulting from the addition of the non-eligible (interim) profits as at year-end 2022 in the amount of € 153 million, adjusted for the actual dividend payment of € 90 million.

On March 23, 2023 the DNB confirmed the earlier announced increase in the countercyclical capital buffer (CCyB) in the Netherlands from 0% to 1%, applicable as from 25 May 2023.

EU KM1 - Key Metrics Liquidity

		a	b	c	d	e
		31-12-2023	30-9-2023	30-6-2023	31-3-2023	31-12-2022
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	12,204	12,256	11,647	11,807	12,559
EU-16a	Cash outflows - Total weighted value	6,116	6,235	6,356	6,461	6,547
EU-16b	Cash inflows - Total weighted value	2,435	2,827	3,429	3,625	3,357
16	Total net cash outflows (adjusted value)	3,681	3,451	3,046	2,955	3,309
17	Liquidity coverage ratio (%)[1]	349.87%	391.84%	441.35%	451.98%	427.29%
	Net Stable Funding Ratio					
18	Total available stable funding	63,481	64,067	65,311	64,498	64,637
19	Total required stable funding	38,304	36,383	36,550	36,937	37,140
20	NSFR ratio (%)	165.73%	176.09%	178.69%	174.62%	174.04%

1 The LCR figures in this table are calculated using the reported supervisory values and figures for each of the four calendar quarters (January-March, April-June, July-September, October-December) preceding the disclosure date. The values and figures in the table are calculated as the simple averages of month-end observations over the twelve months preceding the end of each quarter. Following this approach, the LCR cannot be calculated using the figures in the table.

The LCR remained well above the regulatory minimum of 100%. As at 31 December 2023, the LCR stood at 266% (year-end 2022: 233%).

The LCR increase can be attributed to an increase in high-quality liquid assets, as well as a decrease in cash outflows. However, cash inflows decreased more than cash outflows resulting in higher net cash outflows, which partially negated the LCR increase from high-quality liquid assets.

The NSFR remained well above the regulatory minimum of 100% as well. However, due to an increase in the mortgage portfolio, required stable funding increased while available stable funding remained similiar. Thus, resulting in a lower NSFR.

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 transactions. These cash management choices affect the liquidity in scope of the 30-day LCR window via both high-quality liquid assets and cash inflows within 30 days.

Required stable funding mainly stems from our residential mortgage portfolio. Part of our mortgage portfolio is encumbered mainly on account of outstanding covered bonds.

2.2 Overview of RWA

EU OV1 – Overview of RWA

		Total risk exposure amounts (TREA)					Total own funds requirements			
		a				b	c			
	in € millions	31-12-2023	30-9-2023	30-6-2023	31-3-2023	31-12-2022	31-12-2023	30-9-2023	30-6-2023	31-3-2023
1	**Credit risk (excluding CCR)**	**14,298**	**14,015**	**13,761**	**13,831**	**13,439**	**1,144**	**1,121**	**1,101**	**1,106**
2	*Of which the standardised approach*	4,220	3,815	3,614	4,217	4,302	338	305	289	337
3	*Of which the Foundation IRB (F-IRB) approach*	-	-	-	-	-	-	-	-	-
4	*Of which slotting approach*	-	-	-	-	-	-	-	-	-
EU-4a	*Of which equities under the simple riskweighted approach*	-	-	-	-	-	-	-	-	-
5	*Of which the advanced IRB (A-IRB) approach*	10,079	10,200	10,147	9,614	8,435	806	816	812	769
5a	*Additional risk exposure amount due to Article 3 CRR*	-	-	-	-	702	-	-	-	-
6	**Counterparty credit risk - CCR**	**271**	**211**	**208**	**161**	**191**	**22**	**17**	**17**	**13**
7	*Of which the standardised approach*	200	152	147	107	130	16	12	12	9
8	*Of which internal model method (IMM)*	-	-	-	-	-	-	-	-	-
EU-8a	*Of which exposures to a CCP*	11	7	9	9	10	1	1	1	1
EU-8b	*Of which credit valuation adjustment - CVA*	60	52	52	45	50	5	4	4	4
9	*Of which other CCR*	0	-	-	-	1	0	-	-	-
15	**Settlement risk**	-	-	-	-	-	-	-	-	-
16	**Securitisation exposures in the non-trading book (after the cap)**	**13**	**14**	**10**	**11**	**13**	**1**	**1**	**1**	**1**
17	*Of which SEC-IRBA approach*	-	-	-	-	-	-	-	-	-
18	*Of which SEC-ERBA (including IAA)*	-	-	2	-	-	-	-	0	-
19	*Of which SEC-SA approach*	13	14	9	11	13	1	1	1	1
EU-19a	*Of which 1250% / deduction*	-	-	-	-	-	-	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	193	**182**	150	164	236	15	15	12	13
21	*Of which the standardised approach*	193	182	150	164	236	15	15	12	13
22	*Of which IMA*	-	-	-	-	-	-	-	-	-
EU-22a	**Large exposures**	-	-	-	-	-	-	-	-	-
23	**Operational risk**	**1,695**	**1,428**	**1,428**	**1,428**	**1,428**	**136**	**114**	**114**	**114**
EU-23a	*Of which basic indicator approach*	-	-	-	-	-	-	-	-	-
EU-23b	*Of which standardised approach*	1,695	1,428	1,428	1,428	1,428	136	114	114	114
EU-23c	*Of which advanced measurement approach*	-	-	-	-	-	-	-	-	-
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	-	-	115	108	**122**	-	-	9	9
29	**Total**	**16,470**	**15,850**	**15,558**	**15,595**	**15,306**	**1,318**	**1,268**	**1,245**	**1,248**

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 has been 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 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 of the average risk weighting of residential mortgages to 19.7% from 18.2% at year-end 2022.

RWA for credit risk calculated according to the Standardised Approach (SA) remained virtually unchanged at € 4.4 billion. The reduction of RWA for central governments and central banks by € 122 million is partially due to fiscal treatment of the revaluation reserve in which no longer deferred tax assets are created. The reduction of € 336 million 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 caused by not longer applying loan splitting2 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.

In 2023 de Volksbank has no transactions in which the agreed delivery dates have not been settled yet. Therefore no capital is required for settlement risk.

The bank does not hold commodities and therefore no capital is required for commodity risk.

In 2023 at the end of the quarters , the total net position in foreign currency is lower than the CRR threshold of 2% of total capital. Therefore no capital is required for foreign exchange risk.

Amounts below the threshold for deduction (subject to 250% risk weight) included deferred tax assets in 2022, in 2023 the net deferred taxes are no longer positive and therefore no additional deduction is required.

2.3 ICAAP information

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.

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%
Total SREP Capital Requirement (TSCR)	**11.00%**	**8.25%**	**6.19%**
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%
Combined Buffer Requirement (CBR)	**4.48%**	**4.48%**	**4.48%**
Overall Capital Requirement (OCR)	**15.48%**	**12.73%**	**10.67%**

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).

De Volksbank is not classified as G-SII (global systemically important institutions).

3. Risk management objectives and policies

3.1 Institution risk management approach

Risk management structure

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:

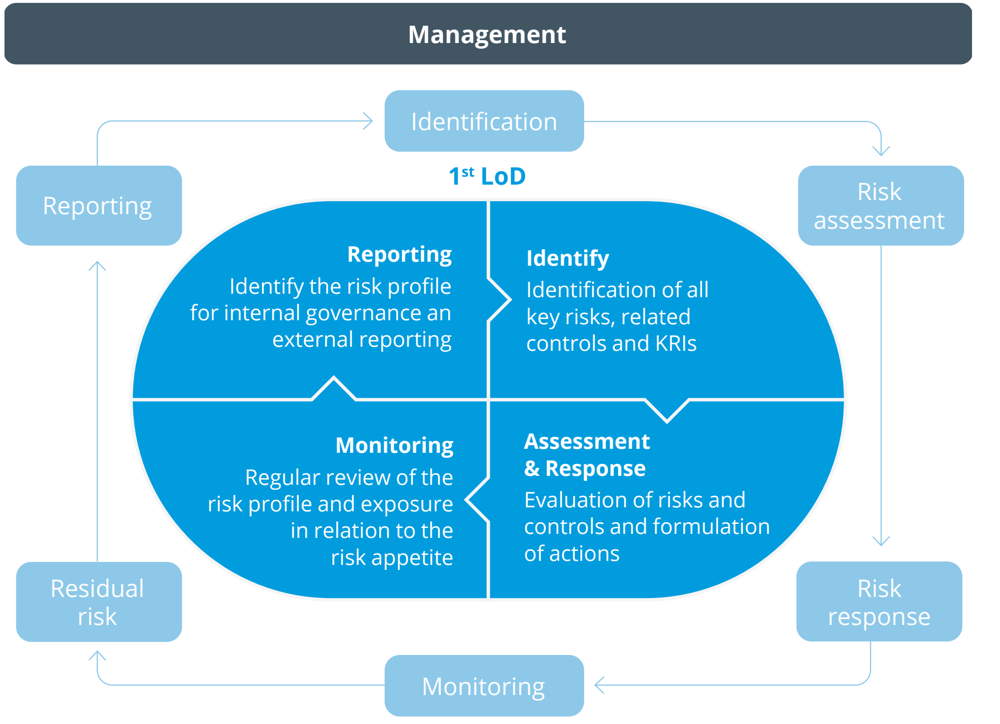
The overall risk appetite statement supports our strategy to be a bank with the strongest customer relationship in the Netherlands and to have a substantial and measurable positive impact on society. To reduce the concentration risk that is inherent to our current business model, well-diversified sources 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[1] 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.

[1] COSO: The Committee of Sponsoring Organizations of the Treadway Commission, www.coso.org

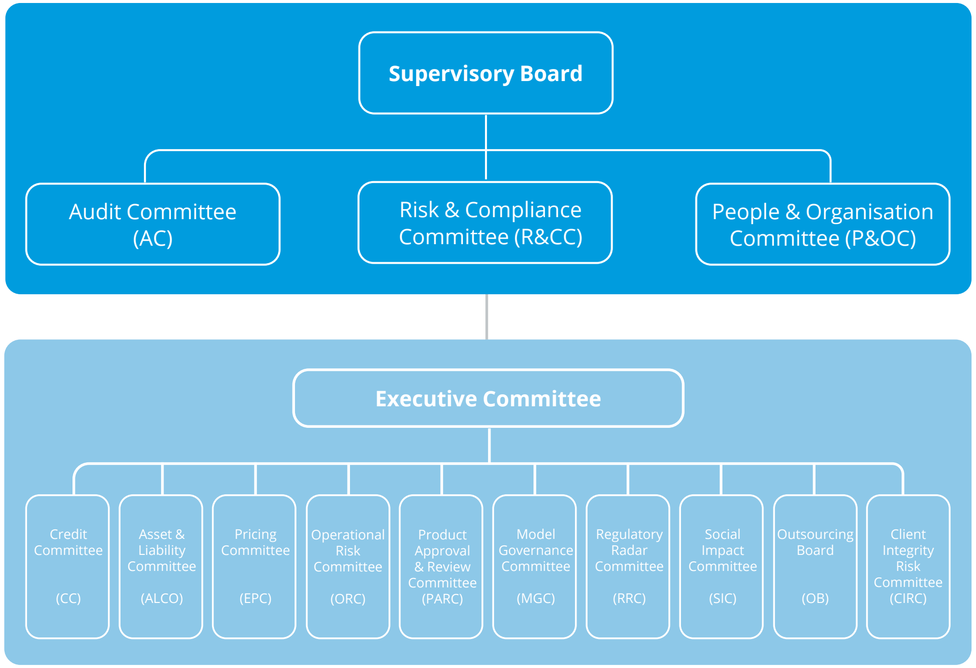


Risk governance

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

Risk governance



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 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.

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.

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

Event	Description of risk and impact	Measures
Volatile and inverted yield curve	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.	• Strategic forecasts and stress testing provide insight into the impact. • We have taken measures to limit excess liquidity and to reduce the dependence on net interest income. • 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. • We use both linear and non-linear instruments to hedge the interest rate exposure.
Regulatory requirements and intensity	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.	• We have included the supervisory agenda in the top 5 priorities of the bank and made a complete inventory of all our outstanding actions. • We have incorporated additional implementation budget in our strategic plan.

Top risks resulting from external developments (continued)

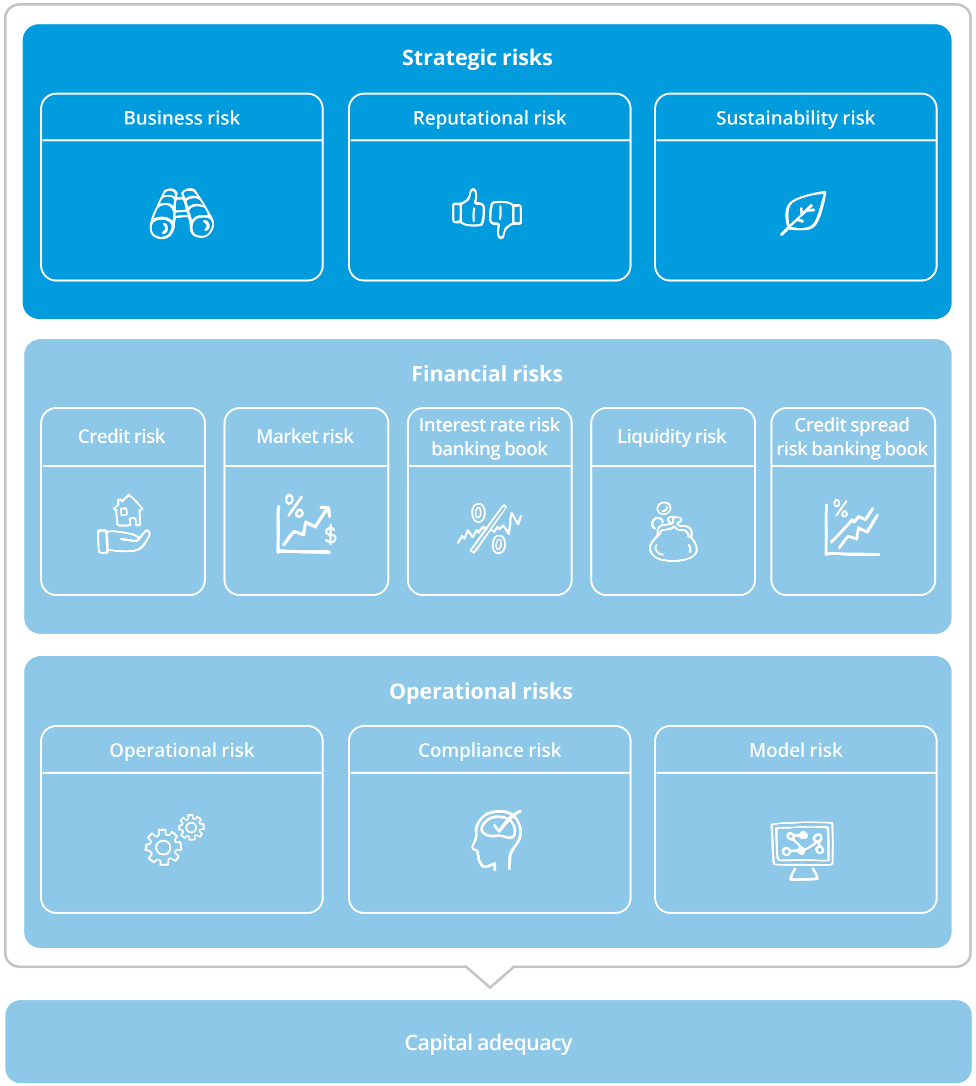
Event	Description of risk and impact	Measures
Inadequate IT systems, cybercrime and criminal threats	There is a risk that our IT systems are unable to adequately keep up with market and supervisory developments, or that we are unable to adapt quickly and adequately enough to cybercrime and other criminal 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.	• 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.
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.	• 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 Genuine attention for employees in the IAR 2023.

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.	• 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.
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.	• 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.
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.	• 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.

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

Green	Current risk profile corresponds to the risk appetite	Orange	Current risk profile exceeds the risk appetite
Yellow	Current risk profile slightly exceeds the risk appetite	Red	Current risk profile breaches limits from a business continuity or regulatory perspective

Risk appetite statement - Strategic risks

	Description	Score	Note to the score
Business risk	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.	Green	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.
Reputational risk	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.	Green	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.
Sustainability risk	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.	Yellow	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
Credit risk	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.
Market risk	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.
Interest rate risk in the banking book	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.
Credit spread risk in the banking book	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.
Liquidity risk	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
Operational risk	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.
Compliance risk	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.
Model risk	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
Capital adequacy	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.

Strategic risk

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.

1. 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.

2. 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.

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 13 Sustainability risk.

Managing and hedging risk

Our strategy incorporates the objective of having a solid capital position at our disposal to support de Volksbank's overall strategy, combined with an adequate Return on Equity (RoE).

We assess the risk profile against the risk thresholds by comparing the risk exposure with 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. Every year, we determine the Risk Appetite Statement (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.

To manage its credit risk, de Volksbank clusters its loans in portfolios. We have a high concentration of residential mortgage loans in the Netherlands.

As part of credit risk management, we internally assess and monitor the credit standing of our customers and counterparties. In this process we estimate the probability of our customers 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, and by monitoring the outflow.

When providing a new mortgage loan, we apply internal standards, which are in line with the applicable legal frameworks, such as a customer's income and the collateral value. We also use the acceptance scorecard to predict whether customers are able to comply with their long-term obligations.

We have examined whether we should take additional measures in response to rising energy costs. We exercise care in providing tailor-made solutions to rising energy costs to ensure that customers have responsible financing now and in the future.

In 2023, de Volksbank also paid special attention to the interest-only mortgage sub-portfolio through the programme entitled 'Customers want to continue living carefree in their home'. As part of this programme, we contact all customers with interest-only mortgages to assess their financial situation at maturity. We continuously monitor interest-only mortgage customers' credit risk profile in order to identify customers who fall into a higher risk category in a timely manner and contact them proactively. In conversations with customers, we try to ascertain whether it is likely that the mortgage, on the basis of their income, can be refinanced at maturity and whether they have built up enough funds to pay off all - or part - of their mortgage at the end of the term.

De Volksbank does not use credit derivatives as a form of security or as an instrument to hedge credit risk.

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. Where possible, the bank concludes derivative transactions with financial institutions using clearing via a central counterparty (CCP).

Interest rate risk management aims to protect and generate stable net interest income. We achieve this goal by optimising the value of our interest cashflows. When managing the banking book's interest rate risk we focus on the interest income sensitivity to market rate movements.

Market risk may arise because de Volksbank concludes contracts and enters into obligations with customers and professional counterparties. The market risk in the banking book mainly comprises market interest rate risk, i.e. the risk that the bank's future interest income deteriorates if market rates change.

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.

De Volksbank has a strong liquidity position, enabling it to meet its financial obligations at all times. We manage our liquidity position such that it is 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.

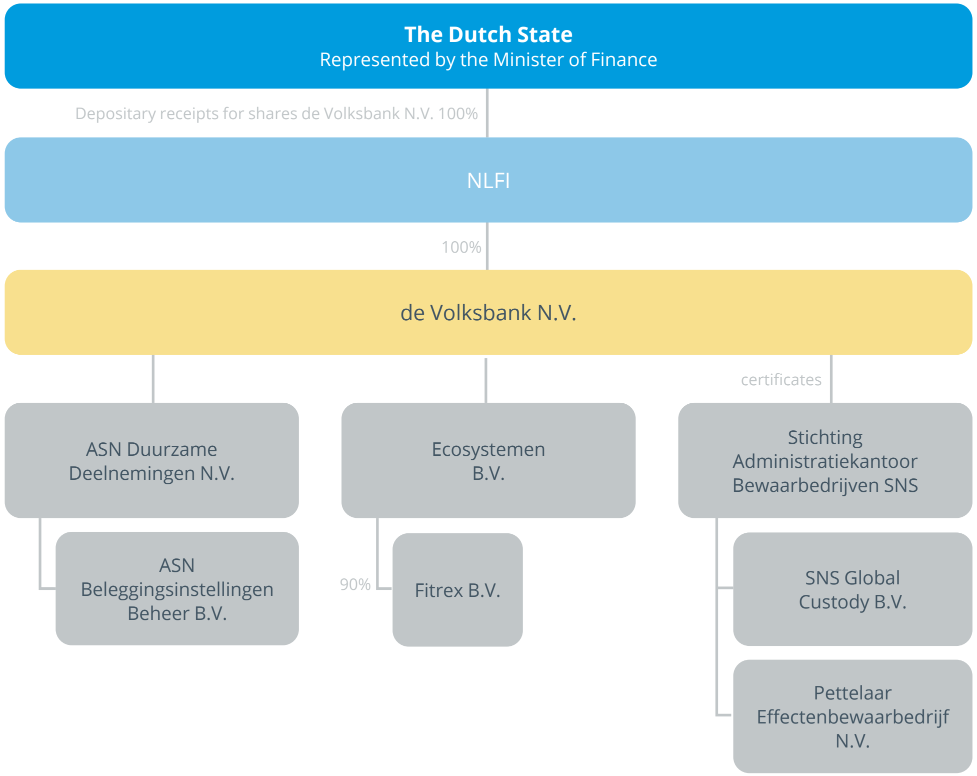
Besides financial risks, de Volksbank is also exposed to non-financial risks, caused by both internal and external factors and developments. In an ever-changing world and increasing regulatory requirements, non-financial risks and their impact on the organisation have become a material factor. A Risk Control Framework is in place and events and incidents are closely monitored for status and solution.

Accounting policy
De Volksbank applies hedge accounting to ensure that its interest rate and currency risk hedge activities are appropriately reflected in the financial statements. See also note 4 Hedging and hedge accounting in the Integrated Annual Report.

MANAGEMENT STATEMENT ON THE ADEQUACY OF RISK MANAGEMENT
For the concise risk statement by the management body see section 1.2 Key figures and Management statement.

3.2 Governance arrangements
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



Internal solvency and liquidity management is exercised at the level of de Volksbank N.V.
The four brands ASN Bank, BLG Wonen, RegioBank and SNS operate under the banking license of de Volksbank N.V.

3.2.1 Information about Governance guidelines
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 CFCO, the position of Chief Transformation Officer (CTO) has been lapsed 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 Volksbanks' 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.

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 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.

The generic profile of the ExBo was amended as from 8 February 2024. The generic profile for the ExBo was approved by NLFI and published on our website. 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 and are effective from 10 August 2023. 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.

Prior to joining de Volksbank, 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. 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.

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 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/Chair of the People and Organisation Committee of Zuyderland Medisch Centrum Profile
- Vice Chair of the Supervisory Board and Chair of the Audit, Risk & Compliance Committee of Bouwinvest N.V.
- Member of the Board of Governors 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.

Flows of risk management information to Executive Committee and Supervisory Board

Table of reports and frequencies

	Report	Executive Committee	Supervisory Board
1st line	Quarterly Business Review/Management reports	quarterly	quarterly
	Monthly Business Review	monthly	n.a.
	In Control Statement	semi annually	semi annually
	ICAAP/ILAAP package	annually	annually
	Recovery Plan	annually	annually
2nd line	Risk Report	quarterly	quarterly
	ICAAP/ILAAP opinion	annually	annually
	Risk Appetite Statement	annually	annually
	Strategic Risk Assessment	annually	annually
	Self-assessment risk committees	annually	n.a.
	Recovery Indicator Dashboard	semi annually	n.a.
	Risk Management Function	quarterly	quarterly
	Compliance Function	quarterly	quarterly
	Review self-assessment Integrated Control Framework	annually	annually
3rd line	Audit report external accountant	annually	annually
	Internal audit report	quarterly	quarterly
	Joint EY Audit de Volksbank Management Letter	annually	annually
	Joint EY Audit de Volksbank Management Letter Progress Updates	quarterly	quarterly
	Audit report capital management/Audit report ILAAP	annually	annually

The Executive Committee and Supervisory Board of de Volksbank are regularly informed about risks and risk management. The table above mentions important reports that they receive, as well as their frequency.

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.

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 programs that were put in place to strengthen internal control and to make the reporting processes more robust.

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.

The P&OC meets at least once a year with the R&CC in a joint meeting to discuss, inter alia, how renumeration outcomes reflect risk. The P&OC convened six times in 2023.

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.

We also refer to the report of the Supervisory Board included in the Integrated Annual Report, which includes a detailed list of the subjects and reports discussed by the Supervisory Board members in 2023. The reports received by the Supervisory Board members were also discussed by the Executive Committee.

Please refer to chapter 3 of the Integrated Annual Report 2023 of de Volksbank for information about the governance arrangements.

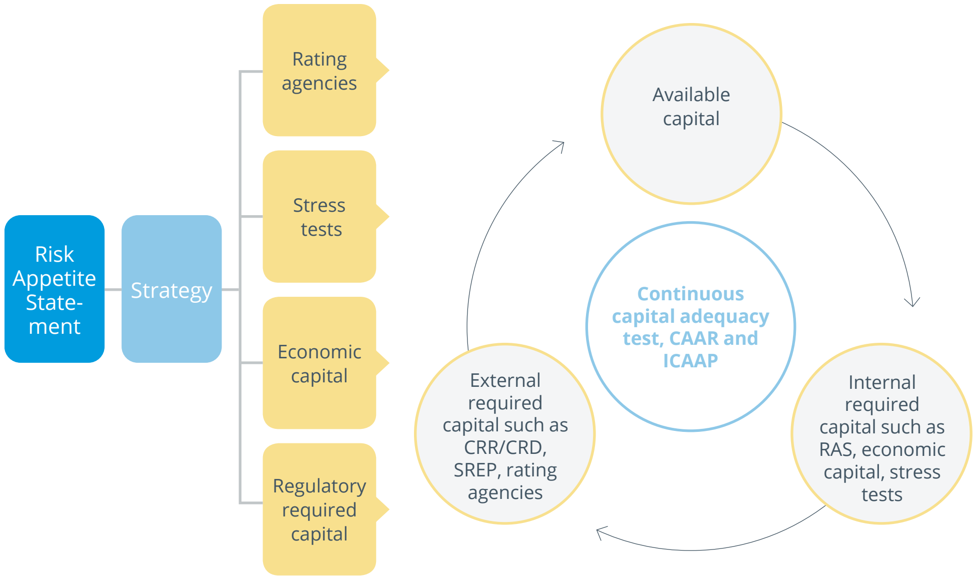
4. Own funds

4.1 Capital Management and control

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.

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.

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.

4.2 Own funds

Under the CRD IV rules, de Volksbank's own funds comprise a number of components that must comply to certain conditions. De Volksbank's capital base consists of Common Equity Tier 1 capital (CET1), Additional Tier 1 capital (AT1) and Tier 2 capital (T2). These capital components in relation to the capital structure are explained below. We also address the ability of capital items to absorb losses and the restrictions applicable.

The table below lists the main features and conditions of the equity components of de Volksbank.

EU CCA - Main features of regulatory own funds instruments and eligible liabilities instruments

	In € millions	a CET1 Capital	b Additional Tier 1 Capital	c Tier 2 Capital
1	Issuer	de Volksbank N.V.	de Volksbank N.V.	de Volksbank N.V.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	XS2454874285	XS2202902636
2a	Public or private placement	Private	Public	Public
3	Governing law(s) of the instrument	Dutch law	Dutch law	Dutch law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	Yes	Yes
	Regulatory treatment			
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	AT1	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	AT1	Tier 2
6	Eligible at solo/ (sub-)consolidated/ solo&(sub-)consolidated	Consolidated and solo	Consolidated and solo	Consolidated and solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Subordinated loans	Subordinated loans
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	3,918	298	500
9	Nominal amount of instrument	381	300	500
EU-9a	Issue price	381	300	500
EU-9b	Redemption price	N/A	300	500
10	Accounting classification	Shareholders' equity	Liability-amortised cost	Liability-amortised cost

	In € millions	a CET1 Capital	b Additional Tier 1 Capital	c Tier 2 Capital
11	Original date of issuance	N/A	15 June 2022	22 July 2020
12	Perpetual or dated	Perpetual	Dated	Dated
13	Original maturity date	No maturity	Perpetual	22 October 2030
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	15 June 2027 to (and including) 15 December 2027	22 July 2025 to (and including) 22 October 2025
16	Subsequent call dates, if applicable	N/A	N/A	N/A
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Fixed	Fixed
18	Coupon rate and any related index	N/A	7.00%	1.75%
19	Existence of a dividend stopper	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory	Mandatory
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
34a	Type of subordination (only for eligible liabilities)	Statutory	Statutory	Statutory
EU-34b	Ranking of the instrument in normal insolvency proceedings	1	3	3
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Most subordinated position	Subordinated to Tier 2 Capital	Subordinated to senior unsecured funding
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	https://www.devolksbank.nl/investor-relations/debt-informatie/additional-tier-1-notes	https://www.devolksbank.nl/en/investor-relations/debt-information/achtergestelde-schuld/green-tier-2

The Volksbank NV has not issued new Additional Tier 1 (AT1) or Tier 2 capital in 2023.

EU CC1 - Composition of regulatory own funds

	in € millions	(a) Amounts 31-12-2023	(b) Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	3,918	20, 21
	of which: Ordinary shares	381	20
	of which: Share premium	3,537	21
2	Retained earnings	-490	25
3	Accumulated other comprehensive income (and other reserves)	-65	22, 23, 24
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	99	26
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**3,461**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-4	2, 3, 10
8	Intangible assets (net of related tax liability) (negative amount)	-5	6a
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	7a, 17a
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-15	2, 5, 10, 23
12	Negative amounts resulting from the calculation of expected loss amounts	-101	
27a	Other regulatory adjustments	-18	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-142**	
29	**Common Equity Tier 1 (CET1) capital**	**3,319**	
	Additional Tier 1 (AT1) capital: instruments	**-**	
30	Capital instruments and the related share premium accounts	298	
31	of which: classified as equity under applicable accounting standards	298	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**298**	
	Additional Tier 1 (AT1) capital: regulatory adjustments	**-**	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	
44	**Additional Tier 1 (AT1) capital**	298	27
45	**Tier 1 capital (T1 = CET1 + AT1)**	**3,616**	

in € millions		(a) Amounts 31-12-2023	(b) Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
	Tier 2 (T2) capital: instruments	**-**	
46	Capital instruments and the related share premium accounts	500	15
51	**Tier 2 (T2) capital before regulatory adjustments**	**500**	
	Tier 2 (T2) capital: regulatory adjustments	**-**	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	
58	**Tier 2 (T2) capital**	**500**	
59	**Total capital (TC = T1 + T2)**	**4,116**	
60	**Total Risk exposure amount**	**16,470**	
	Capital ratios and requirements including buffers		
61	Common Equity Tier 1 capital	20.15%	
62	Tier 1 capital	21.96%	
63	Total capital	24.99%	
64	Institution CET1 overall capital requirements	10.67%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.98%	
67	of which: systemic risk buffer requirement	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	1.00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.69%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**13.71%**	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	10	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	-	
	Applicable caps on the inclusion of provisions in Tier 2	**-**	
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	

in € millions		(a) Amounts 31-12-2023	(b) Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	55	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	60	

The € 18 million Other regulatory deductions, reported on row 27a, is a prudential backstop following the ECB's guidelines on non-performing exposures (Article 3 CRR deduction). 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 is continuously redeveloped to comply with new rules and regulations.

Supervisory approval has been received for adding €99 million to CET 1 capital of total profit amounting to € 431 million for 2023.

Source (column B) is based on the reference numbers of the balance sheet under the regulatory scope of consolidation disclosed in tempate EU CC2.

EU CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

	in € millions	a/b Balance sheet as in published financial statements / Under regulatory scope of consolidation 31-12-2023	c Reference
	Assets - *Breakdown by asset classes according to the balance sheet in the published financial statements*		
1	Cash and cash equivalents	5,891	
2	Derivatives	2,544	7, 11
3	Investments	6,733	7
4	Loans and advances to banks	4,671	
5	Loans and advances to customers	50,847	11, 50
6	Tangible and intangible assets	77	
6a	of which: intangible assets	5	8
7	Tax assets	14	
7a	of which: deferred tax assets	14	10
8	Other assets	283	
9	**Total assets**	**71,060**	
	Liabilities - *Breakdown by liability classes according to the balance sheet in the published financial statements*		
10	Derivatives	1,121	7, 11
11	Amounts due to banks	1,947	
12	Savings	43,623	
13	Other amounts due to customers	11,287	
14	Debt certificates	7,935	
15	Subordinated debts	500	46
16	Provisions	44	
17	Tax liabilities	82	
17a	of which: deferred tax liabilities	16	10
18	Other liabilities	430	
19	**Total liabilities**	**66,969**	
	Shareholders' Equity		
20	Share capital	381	1
21	Share premium reserve	3,537	1
22	Accumulated other comprehensive income	-80	3
23	Fair value reserves related to gains on cash flow hedges	15	3, 11
24	Other reserves	-490	3
25	Retained earnings	-	2
26	Net result for the period	431	EUR-5a
27	AT1 capital securities	298	44
28	**Shareholders' equity**	**4,091**	

Reference includes the reference numbers of the regulatory own funds breakdown disclosed in template EU CC1.

There is no difference between the regulatory scope of consolidation scope defined and the method for consolidation used for the balance sheet in the financial statements. Therefore column a and b are merged.

4.3 Macroprudential supervisory measures

Capital requirements

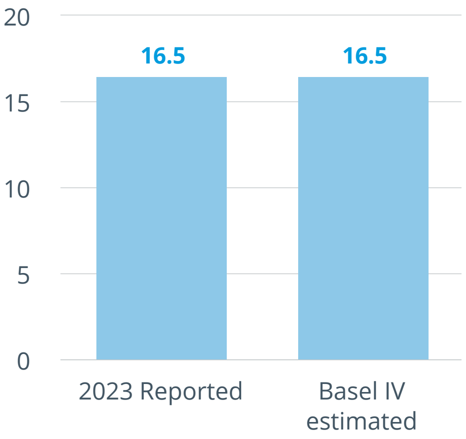
Basel IV

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.

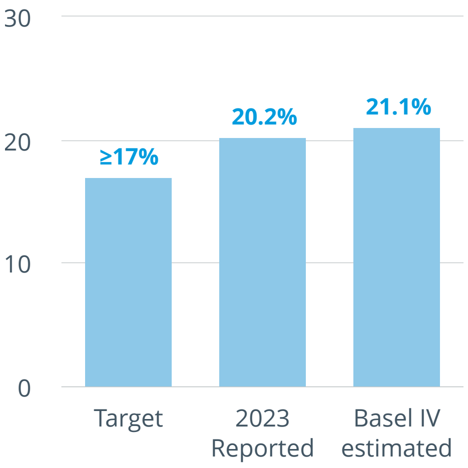
As at year-end 2023, we estimate that our total risk-weighted assets (RWA) according to the fully phased-in Basel IV standards would be below our total RWA under current regulations, mainly due to the removal of a 1.06 scaling factor to determine residential mortgage-related RWA under the revised IRB approach.

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[1] comfortably exceeds our target of at least 17%.

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.

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.

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[2].

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.

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.

1 Based on our balance sheet position as at 31 December 2023 and the political agreement reached on CRR III and CRD VI.
2 Confirmed by DNB on 21 December 2023

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.

EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer 2023

		a	b	c	e	f	g	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk	Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements			Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	In € millions	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
010	**Breakdown by country:**											
	The Netherlands	2,914	50,988	4	117	54,023	964	1	966	12,069	91.95%	1.00%
	Belgium	263	42	-	-	304	20	-	20	252	1.92%	0.00%
	United Kingdom	241	4	-	-	245	12	-	12	148	1.13%	2.00%
	France	320	2	-	-	322	11	-	11	137	1.04%	0.50%
	Luxembourg	239	1	-	-	240	19	-	19	239	1.82%	0.50%
	Germany	217	6	-	-	224	9	-	9	108	0.82%	0.75%
	Norway	143	0	-	-	143	1	-	1	14	0.11%	2.50%
	Canada	116	-	-	-	116	1	-	1	12	0.09%	0.00%
	Italy	48	1	-	-	49	4	-	4	48	0.37%	0.00%
	Sweden	51	1	-	-	52	4	-	4	51	0.39%	2.00%
	United States	0	2	-	-	2	0	-	0	2	0.02%	0.00%
	Switzerland	0	1	-	-	1	0	-	0	0	0.00%	0.00%
	Spain	19	1	-	-	20	2	-	2	19	0.14%	0.00%
	Finland	11	-	-	-	11	0	-	0	1	0.01%	0.00%
	Austria	57	0	-	-	57	0	-	0	6	0.04%	0.00%
	Denmark	15	0	-	-	16	1	-	1	15	0.12%	2.50%
	Other	1	7	-	-	8	0	-	0	4	0.03%	0.00%
020	**Total**	**4,653**	**51,056**	**4**	**117**	**55,831**	**1,049**	**1**	**1,050**	**13,125**	**100%**	

This table contains an overview of the credit exposures relevant for the calculation of the countercyclical capital buffer of countries having an exposure value greater than € 1 million.

EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer 2022

		a	b	c	e	f	g	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk	Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements			Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	In € millions	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
010	**Breakdown by country:**											
	The Netherlands	2,544	50,141	-	70	52,755	811	1	812	10,151	91.93%	0.00%
	Belgium	236	44	-	-	280	19	-	19	235	2.13%	0.00%
	United Kingdom	311	5	-	-	315	14	-	14	172	1.55%	1.00%
	France	209	2	-	-	210	4	-	4	55	0.50%	0.00%
	Luxembourg	214	1	-	-	215	17	-	17	214	1.94%	0.50%
	Germany	203	7	-	-	211	9	-	9	112	1.01%	0.00%
	Norway	113	0	-	-	113	1	-	1	11	0.10%	2.00%
	Canada	52	-	-	-	52	0	-	0	5	0.05%	0.00%
	Italy	16	1	-	-	17	1	-	1	16	0.14%	0.00%
	Sweden	41	1	-	-	42	3	-	3	42	0.38%	1.00%
	United States	0	2	-	-	2	0	-	0	0	0.00%	0.00%
	Switzerland	0	1	-	-	1	0	-	0	0	0.00%	0.00%
	Spain	16	1	-	-	17	1	-	1	17	0.15%	0.00%
	Singapore	-	1	-	-	1	0	-	0	0	0.00%	0.00%
	Austria	40	0	-	-	41	0	-	0	4	0.04%	0.00%
	Denmark	5	0	-	-	5	0	-	0	5	0.00%	0.00%
	Other	0	7	-	-	8	0	-	0	3	0.08%	0.00%
020	**Total**	**3,999**	**50,215**	**-**	**70**	**54,284**	**882**	**1**	**883**	**11,042**	**100%**	

EU CCyB2 - Amount of institution specific countercyclical capital buffer 2023

	in € millions	a
1	Total risk exposure amount	16,470
2	Institution specific countercyclical capital buffer rate	0.98%
3	Institution specific countercyclical capital buffer requirement	161

The institution specific countercyclical buffer rate is mainly driven by the countercyclical capital buffer for exposures to Dutch counterparties. This buffer is intended to protect banks against risks arising in case of excessive credit growth. Each quarter The Dutch Central Bank (DNB) sets the level of the buffer for the Netherlands, which, in principle, may vary from 0% to 2.5%. DNB has the discretion to set the countercyclical capital buffer above 2.5%.

On 29 March 2023, the DNB confirmed the earlier announced increase in the countercyclical capital buffer (CCyB) in the Netherlands from 0% to 1%, applicable as from 25 May 2023. Following this announcement, the DNB announced that the current risk picture gives them reason to raise the CCyB further in the Netherlands to 2% as from 31 May 2024. The purpose of the CCyB is to increase banks' resilience when cyclical risks build up, and to release the buffer as soon as these risks materialise.

EU CCyB2 - Amount of institution specific countercyclical capital buffer 2022

	in € millions	a
1	Total risk exposure amount	15,306
2	Institution specific countercyclical buffer rate	0.03%
3	Institution specific countercyclical buffer requirement	5

5. Leverage ratio

5.1 Leverage ratio qualitative disclosure

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 3.0% applies to de Volksbank.

To manage the risk of excessive leverage, leverage ratio planning is part of our capital management process explained in section 4.1 Capital Management and control. Secured funding affecting the leverage ratio denominator is only attracted when consistent with our liquidity management and funding strategy. For more information, please refer to section 6.2 Liquidity Coverage Ratio - Funding strategy

5.2 Leverage ratio quantitative disclosure

The risk exposure that is used in calculating the leverage ratio differs from the value of the assets as included in the financial statements. The table below presents the reconciliation of accounting assets and the leverage ratio exposure.

EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures 2022

	in € millions	a Applicable amount 31-12-2023	a Applicable amount 31-12-2022
1	**Total assets as per published financial statements**	**71,060**	**73,155**
8	Adjustment for derivative financial instruments	-1,764	-2,709
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,397	1,510
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-4	-4
12	Other adjustments	-313	-236
13	**Total exposure measure**	**70,375**	**71,716**

The leverage ratio exposure measure decreased by € 1.3 billion to € 70.4 billion due to a decrease in total assets as per published financial statements.

The adjustment for derivative financial instruments relates to the difference between the accounting value of the derivatives recognised as assets and the leverage ratio exposure value as determined by application of CRR. As the effects of master netting agreements are taken into account in the leverage ratio exposure value, this adjustment leads to a decrease in exposure. The adjustment is lower compared to year-end 2022 mainly due to a decrease in cash collateral received that can be offset against derivative exposures.

Other adjustments includes the receivables for cash variation margin provided in derivative transactions (€ 174 million) and the asset amounts deducted in Tier 1 (€ 138 million) due to prudential filters, regulatory deductions, and additional deductions due to Article 3 CRR.

EU LR2 - LRCom: Leverage ratio common disclosure 2022

		CRR leverage ratio exposures		
		a	b	a
	in € millions	31-12-2023	30-6-2023	31-12-2022
	On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	68,516	69,937	69,853
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-174	-94	-85
6	(Asset amounts deducted in determining Tier 1 capital)	-142	-150	-156
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**68,199**	**69,692**	**69,613**
	Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	160	46	79
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	620	559	513
13	**Total derivatives exposures**	**780**	**605**	**593**
	Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	2,853	2,828	2,986
20	(Adjustments for conversion to credit equivalent amounts)	-1,448	-1,390	-1,465
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	-9	-8	-11
22	**Off-balance sheet exposures**	**1,397**	**1,429**	**1,510**
	Capital and total exposure measure			
23	Tier 1 capital	3,616	3,465	3,399
24	**Total exposure measure**	**70,375**	**71,727**	**71,716**
	Leverage ratio			
25	Leverage ratio (%)	5.14%	4.83%	4.74%

	in € millions	CRR leverage ratio exposures a 31-12-2023	b 30-6-2023	a 31-12-2022
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	5.14%	4.83%	4.74%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	5.14%	4.83%	4.74%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%
	Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	fully phased-in	fully phased-in	fully phased-in
	Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	847		1,354
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	71,223		73,070
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	71,223		73,070
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.08%		4.65%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.08%		4.65%

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 million to € 70.4 billion.

The 5.1% leverage ratio is well above the regulatory requirement of 3.0% and above our target of at least 4.5%.

EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) 2023

	in € millions	a CRR leverage ratio exposures 31-12-2023	a CRR leverage ratio exposures 31-12-2022
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**68,341**	**69,769**
EU-2	Trading book exposures	21	25
EU-3	Banking book exposures, of which:	68,321	69,744
EU-4	Covered bonds	812	556
EU-5	Exposures treated as sovereigns	11,056	12,293
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	403	93
EU-7	Institutions	3,723	6,314
EU-8	Secured by mortgages of immovable properties	48,441	46,618
EU-9	Retail exposures	76	121
EU-10	Corporates	2,211	2,117
EU-11	Exposures in default	524	518
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1,074	1,115

The decrease in on-balance sheet exposure is mainly the result of a decrease in exposures to central banks and exposures to institutions. This was partly mitigated by an increase in exposures secured by mortgages of immovable properties by €1.8 billion, which was mainly the result of an increase in our residential mortgage portfolio, as well as an increase in IFRS fair value adjustments from hedge accounting by € 0.7 billion due to the decrease in interest rates.

6. Liquidity requirements

As explained in Section 4.6.2 Management and control of the risk disclosures in the Integrated Annual Report, the Liquidity Coverage Ratio (LCR) is one of the instruments that we use to manage liquidity risk. The regular liquidity management process is also discussed in the risk disclosures in the Integrated Annual Report.

6.1 Liquidity risk management

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.

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 it is 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.

RISK GOVERNANCE

De Volksbank's risk governance is based on the three lines of defence model (see section 3.1 Institution risk management approach).

In terms of liquidity risk management, Hub Balance Sheet Management (BSM) and Hub Financial Markets & Treasury (FMT) make up the first line. Their main liquidity management responsibilities are to manage our liquidity profile with maximum efficiency within the risk appetite determined, and to raise funding in the money and capital markets.

Expertise Centre Risk (ECR) constitutes the second line. It sets frameworks and monitors whether these are complied with, provides advice and determines the liquidity adequacy.

The third line (the audit function) independently assesses the first and second lines' performance.

As the Executive Board has ultimate accountability for risk management within the risk management organisation, it therefore functions as an overarching Bank Risk Committee, which is supported by risk committees, with representatives from the first and second lines in each committee.

The Supervisory Board is charged with the supervision of the Executive Board and in that role is provided with advice by the Audit Committee, the Risk and Compliance Committee and the People and Organisation Committee.

MANAGEMENT AND CONTROL LIQUIDITY RISK

De Volksbank centrally manages its liquidity position, cash flows and liquidity risks. The risk management cycle as defined in section 3.1 Institution risk management approach 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 4.1 Capital 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 these 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 can 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.

LIQUIDITY POSITION

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. At the same time, de Volksbank succeeded in gradually reducing (the undesirable impact of) excess liquidity.

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

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
Liquidity position	**15,600**	**17,208**

This table provides an overview of the instantly available liquidity position from an internal perspective which differs from the regulatory perspective for the liquidity buffer as laid down in Annex I of EU Regulation 2015/61. The liquidity position includes amongst others ECB-eligible retained RMBS notes that are registered in the DNB collateral pool, and which could be pledged to obtain central bank funding, thereby serving as additional counterbalancing capacity when necessary. As a result, the liquidity position differs from the liquidity buffer used in the LCR disclosure template.

The liquidity position amounted to € 15.6 billion as 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 as 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). During 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.

6.2 Liquidity Coverage Ratio

EU LIQ1 - Quantitative information of LCR

	Consolidated in € millions	a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU-1a	**Quarter ending on (DD Month YYY)**	**31-12-2023**	**30-9-2023**	**30-6-2023**	**31-3-2023**	**31-12-2023**	**30-9-2023**	**30-6-2023**	**31-3-2023**
EU-1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	**Total high-quality liquid assets (HQLA)**					**12,204**	**12,256**	**11,647**	**11,807**
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	52,802	53,302	53,757	54,305	2,857	2,887	2,912	2,946
3	*Stable deposits*	*47,091*	*47,502*	*47,883*	*48,293*	*2,355*	*2,375*	*2,394*	*2,415*
4	*Less stable deposits*	*4,488*	*4,561*	*4,613*	*4,726*	*503*	*512*	*518*	*531*
5	Unsecured wholesale funding	1,931	2,029	2,086	2,109	1,057	1,127	1,162	1,176
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	*1,858*	*1,939*	*1,970*	*2,012*	*985*	*1,037*	*1,046*	*1,079*
8	*Unsecured debt*	*73*	*90*	*116*	*97*	*73*	*90*	*116*	*97*
9	Secured wholesale funding					7	7	6	5
10	Additional requirements	1,862	1,877	1,885	1,841	1,304	1,331	1,350	1,305
11	*Outflows related to derivative exposures and other collateral requirements*	*1,245*	*1,273*	*1,293*	*1,248*	*1,245*	*1,273*	*1,293*	*1,248*
12	*Outflows related to loss of funding on debt products*	*2*	*2*	*3*	*3*	*2*	*2*	*3*	*3*
13	*Credit and liquidity facilities*	*615*	*602*	*589*	*590*	*57*	*55*	*54*	*54*
14	Other contractual funding obligations	458	477	551	638	397	417	492	581
15	Other contingent funding obligations	1,845	1,848	1,848	1,927	493	466	434	448
16	**Total cash outflows**					**6,116**	**6,235**	**6,356**	**6,461**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	2,180	2,660	3,405	3,505	2,043	2,542	3,253	3,354
19	Other cash inflows	392	285	176	271	392	285	176	271
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**Total cash inflows**	**2,572**	**2,945**	**3,581**	**3,775**	**2,435**	**2,827**	**3,429**	**3,625**
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	*2,572*	*2,945*	*3,581*	*3,775*	*2,435*	*2,827*	*3,429*	*3,625*

	Consolidated in € millions	a	b	c	d	e	f	g	h
			Total unweighted value (average)				Total weighted value (average)		
EU-1a	**Quarter ending on (DD Month YYY)**	**31-12-2023**	**30-9-2023**	**30-6-2023**	**31-3-2023**	**31-12-2023**	**30-9-2023**	**30-6-2023**	**31-3-2023**
TOTAL ADJUSTED VALUE									
EU-21	**Liquidity buffer**					**12,204**	**12,256**	**11,647**	**11,807**
22	**Total net cash outflows**					**3,681**	**3,451**	**3,046**	**2,955**
23	**Liquidity coverage ratio[1]**					**349.87%**	**391.84%**	**441.35%**	**451.98%**

1 The figures in this table are calculated using the reported supervisory values and figures for each of the four calendar quarters (January-March, April-June, July-September, October-December) preceding the disclosure date. The values and figures in the table are calculated as the simple averages of month-end observations over the twelve months preceding the end of each quarter. Following this approach, the LCR cannot be calculated using the figures in the table.

The LCR remained well above the regulatory minimum of 100%. As of 31-12-2023 the LCR stood at 262% (year-end 2022: 233%).

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. These cash management choices affect the liquidity in scope of the 30-day LCR window via both high-quality liquid assets and cash inflows within 30 days.

QUALITATIVE INFORMATION ON LCR

In line with the EBA guidelines on LCR disclosure, information is provided below on:

- Funding strategy;
- Counterparty risk on derivative positions;
- Currency risk;
- A description of the degree of centralisation of liquidity management.

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.

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

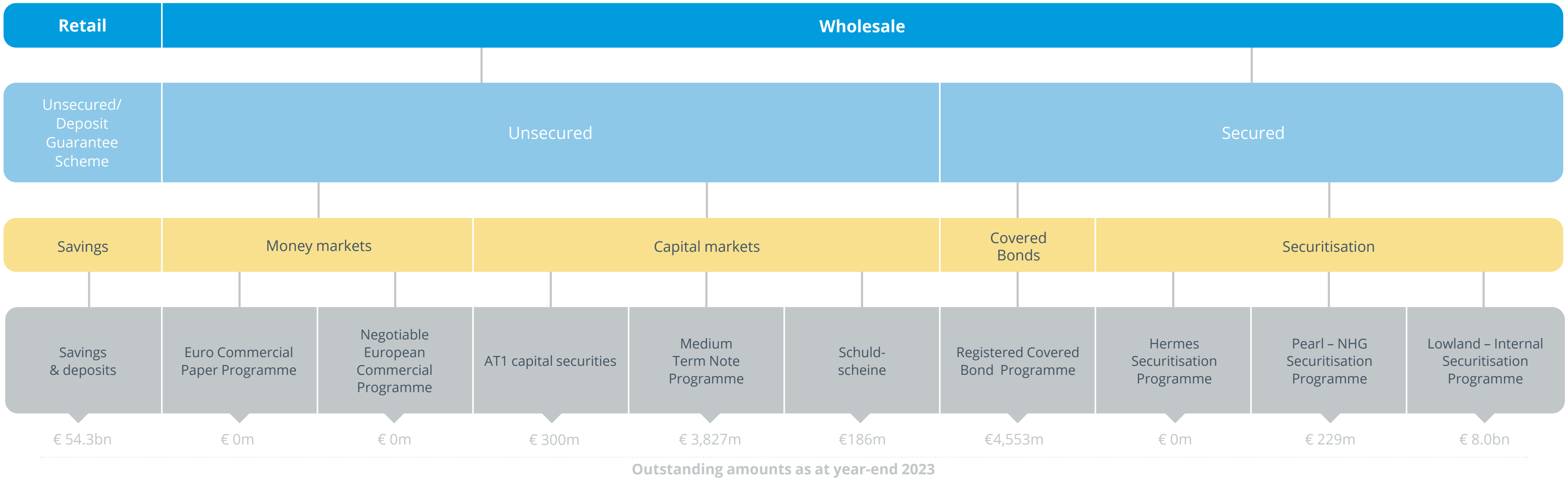
In addition to (subordinated) capital market funding to strengthen the bank's capital and MREL position, de Volksbank can issue capital market funding with maturities over one year through:

- 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.



Counterparty risk on derivative positions

De Volksbank enters into money and capital market transactions with various financial institutions. This also includes derivative transactions for the hedging of interest rate and currency risks. Here, the bank runs the risk that the counterparty to a transaction defaults before the final settlement of the cashflows associated with the transaction has taken place. In line with common market practices, de Volksbank has several risk mitigating mechanisms in place, such as netting, margining and guarantees. De Volksbank clears derivative transactions as much as possible via central clearing to mitigate counterparty credit risk. See chapter 8 Counterparty credit risk for more details.

Currency risk

The currency risk is minimised by effecting most of our foreign currency exposures through the trading book, where currency risk is managed on a day-to-day basis. As a result, there is no currency mismatch in the LCR.

Degree of centralisation of liquidity management

De Volksbank supports the brands by means of centrally managed mid and back offices and staff departments and has a central liquidity management function.

Potential collateral deposit

In the event of a 3-notch downgrade of the bank's credit rating, we would have to deposit additional collateral totalling € 48 million with counterparties (2022: €156 million). We include this potential collateral deposit as an outflow in the LCR and the combined severe liquidity stress test.

Management statement

The management statement on the adequacy of risk management for liquidity is included in the overall statement in section 1.2 Key figures and Management statement.

6.3 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.

There is no difference between the regulatory consolidation scope used for the purpose of the disclosures on all asset encumbrance information and the accounting scope of consolidation. For more information reference is made to section 1.3 Scope of application.

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 6.2 Liquidity Coverage Ratio - 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 (2022: € 9.0 billion). 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 mainly due to a decrease in assets pledged to collateralise derivative transactions and repo transactions, and a decrease in assets pledged to secure covered bonds.

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 (2022: € 64.2 billion) and may partly be converted into cash, for example by securitisation. Securitised mortgages of which the bank itself holds the bonds are not considered to be encumbered, except if these bonds are used as collateral, for instance in a repurchase transaction.

EU AE1 - Encumbered and unencumbered assets 2023[1]

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
	in € millions	010	030	040	050	060	080	090	100
010	**Assets of the disclosing institution**	**8,375**	**495**			**64,271**	**4,870**		
030	Equity instruments	-	-	-	-	11	-	11	-
040	Debt securities	495	495	481	481	5,785	4,870	5,574	4,797
050	*of which: covered bonds*	-	-	-	-	591	591	581	579
060	*of which: securitisations*	-	-	-	-	89	83	89	83
070	*of which: issued by general governments*	427	427	413	413	3,540	3,017	3,418	2,928
080	*of which: issued by financial corporations*	64	64	64	64	1,665	1,471	1,648	1,454
090	*of which: issued by non-financial corporations*	-	-	-	-	462	379	461	378
120	Other assets	7,849	-			58,529	-		

1 The figures are based on the median value of the four quarters in the financial year. This is in contrast to the figures in the text which are year-end figures.

Encumbered assets included in row 120 in table EU-AE1 (Other assets) mainly include loans to customers encumbered on account of our outstanding debt securities, savings premiums received in savings mortgage arrangement, and loans encumbered for foreign exchange and payment transactions. Furthermore, it includes cash collateral pledged to collateralise derivative transactions and mandatory cash reserve requirements.

The asset encumbrance ratio at year-end 2023 amounts to 11.8% (2022: 12.2%).

EU AE1 - Encumbered and unencumbered assets 2022[1]

in € millions		Carrying amount of encumbered assets	of which notionally eligible EHQLA and HQLA	Fair value of encumbered assets	of which notionally eligible EHQLA and HQLA	Carrying amount of unencumbered assets	of which EHQLA and HQLA	Fair value of unencumbered assets	of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the disclosing institution**	**9,012**	**624**			**65,052**	**af**		
030	Equity instruments	--	--	--	--	9	--	9	--
040	Debt securities	637	624	638	625	4,858	4,555	4,829	4,533
050	*of which: covered bonds*	--	--	--	--	370	370	363	363
060	*of which: securitisations*	--	--	--	--	61	55	61	55
070	*of which: issued by general governments*	518	518	519	519	3,066	2,957	3,051	2,954
080	*of which: issued by financial corporations*	112	109	112	109	1,263	1,188	1,252	1,175
090	*of which: issued by non-financial corporations*	20	--	21	--	443	384	445	381
120	Other assets	8,297	--			60,282	--		

1 The figures are based on the median value of the four quarters in the financial year. This is in contrast to the figures in the text which are year-end figures.

The median of unencumbered own covered bonds and securitisations issued and not yet pledged increased to € 8.9 billion in 2023 (2022: € 7.4 bilion). This increase is mainly due to the issuance of Lowland 7, which replaced the Lowland 5 and Lowland 6 transaction.

EU AE2 - Collateral received and own debt securities issued 2023[1]

in € millions		Fair value of encumbered collateral received or own debt securities issued	of which notionally eligible EHQLA and HQLA	Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the disclosing institution**	-	-	-	-
240	**Own debt securities issued other than own covered bonds or securitisations**	-	-	-	-
241	**Own covered bonds and securitisations issued and not yet pledged**			8,909	-
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	8,375	495		

1 The figures are based on the median value of the four quarters in the financial year. This is in contrast to the figures in the text which are year-end figures.

EU AE2 - Collateral received and own debt securities issued 2022[1]

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
	in € millions	010	030	040	060
130	Collateral received by the reporting institution	--	--	--	--
240	Own debt securities issued other than own covered bonds or asset-backed securities	--	--	--	--
241	Own covered bonds and asset-backed securities issued and not yet pledged			7,366	--
250	TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	9,012	624		

1 The figures are based on the median value of the four quarters in the financial year. This is in contrast to the figures in the text which are year-end figures.

EU AE3 - Sources of encumbrance 2023[1]

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
	in € millions	010	030
010	Carrying amount of selected financial liabilities	6,851	7,393

1 The figures are based on the median value of the four quarters in the financial year. This is in contrast to the figures in the text which are year-end figures.

The carrying amount of encumbered assets presented in table EU-AE3 are associated with derivative liabilities, collateralised deposits (including repurchase agreements) and debt securities issued.

EU AE3 - Sources of encumbrance 2022[1]

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and owndebt securities issued other than covered bonds and ABSs encumbered
	in € millions	010	030
010	Carrying amount of selected financial liabilities	7,191	7,988

1 The figures are based on the median value of the four quarters in the financial year. This is in contrast to the figures in the text which are year-end figures.

6.4 Net Stable Funding Ratio

EU LIQ2 - Net Stable Funding Ratio 31 December 2023

		a	b	c	d	e
			Unweighted value by residual maturity			
	In € millions	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding (ASF) Items						
1	Capital items and instruments	**3,758**	**-**	**-**	**500**	**4,258**
2	*Own funds*	3,758	-	-	500	4,258
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**50,675**	**47**	**1,091**	**49,052**
5	*Stable deposits*		46,189	37	1,083	44,999
6	*Less stable deposits*		4,486	10	8	4,054
7	Wholesale funding:		**1,987**	**751**	**8,632**	**9,672**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		1,987	751	8,632	9,672
10	Interdependent liabilities		**-**	**-**	**-**	**-**
11	Other liabilities:	**-**	**391**	**1**	**498**	**499**
12	*NSFR derivative liabilities*	-				
13	*All other liabilities and capital instruments not included in the above categories*		391	1	498	499
14	**Total available stable funding (ASF)**					**63,481**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**506**
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		**33**	**34**	**4,986**	**4,296**
16	Deposits held at other financial institutions for operational purposes		**-**	**-**	**-**	**-**
17	Performing loans and securities:		**3,266**	**1,648**	**44,460**	**31,911**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		2,145	996	764	1,476
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		688	163	1,777	1,896
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		42	47	1,058	757
22	*Performing residential mortgages, of which:*		384	390	41,657	28,241
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		343	350	39,650	26,637
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		49	99	262	298
25	Interdependent assets		**-**	**-**	**-**	**-**
26	Other assets:	-	**1,232**	**3**	**1,184**	**1,554**
27	*Physical traded commodities*				-	-

	In € millions	a	b	c	d	e
			Unweighted value by residual maturity			
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		337	0	343	578
29	*NSFR derivative assets*		103	0	-	103
30	*NSFR derivative liabilities before deduction of variation margin posted*		185	0	-	9
31	*All other assets not included in the above categories*		606	3	841	863
32	Off-balance sheet items		**637**	**-**	**-**	**39**
33	**Total RSF**					**38,304**
34	**Net Stable Funding Ratio (%)**					**165.73%**

The NSFR remained well above the regulatory minimum of 100%. At year-end 2023, the NSFR stood at 166% (year-end 2022: 174%). Required stable funding increased mainly due to an increase in our residential mortgage portfolio, while available stable funding decreased mainly due to a decrease in retail deposits. This resulted in a decrease in our NSFR.

For more information on our funding strategy see section 6.2 Liquidity Coverage Ratio.

Required stable funding mainly stems from our residential mortgage portfolio. Part of our mortgage portfolio is encumbered mainly on account of outstanding covered bonds. For more information see section 6.3 Encumbered and unencumbered assets.

De Volksbank has no interdependent assets and liabilities in accordance with Article 428f CRR.

EU LIQ2 - Net Stable Funding Ratio 30 September 2023

	In € millions	a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	**3,702**	**-**	**-**	**500**	**4,202**
2	*Own funds*	3,702	-	-	500	4,202
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**51,274**	**51**	**1,106**	**49,643**
5	*Stable deposits*		46,836	42	1,070	45,605
6	*Less stable deposits*		4,438	9	36	4,038
7	Wholesale funding:		**2,020**	**825**	**8,609**	**9,697**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		2,020	825	8,609	9,697
10	Interdependent liabilities		**-**	**-**	**-**	**-**
11	Other liabilities:	**2**	**345**	**2**	**524**	**525**
12	*NSFR derivative liabilities*	2				
13	*All other liabilities and capital instruments not included in the above categories*		345	2	524	525
14	**Total available stable funding (ASF)**					**64,067**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**380**
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		**33**	**34**	**4,987**	**4,295**
16	Deposits held at other financial institutions for operational purposes		**-**	**-**	**-**	**-**
17	Performing loans and securities:		**4,510**	**750**	**42,644**	**30,331**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		3,197	299	228	697
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		936	66	1,804	2,021
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		43	50	1,053	757
22	*Performing residential mortgages, of which:*		377	383	40,328	27,368
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		337	344	38,197	25,685
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		-	2	285	245
25	Interdependent assets		**-**	**-**	**-**	**-**
26	Other assets:	-	**1,071**	**3**	**1,111**	**1,339**
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		260	-	321	493

	In € millions	a	b	c	d	e
			Unweighted value by residual maturity			
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
29	*NSFR derivative assets*		-	-	-	-
30	*NSFR derivative liabilities before deduction of variation margin posted*		131	-	-	7
31	*All other assets not included in the above categories*		680	3	791	839
32	Off-balance sheet items		**636**	**-**	**-**	**38**
33	**Total RSF**					**36,383**
34	**Net Stable Funding Ratio (%)**					**176.09%**

EU LIQ2 - Net Stable Funding Ratio 31 December 2022

	In € millions	a	b	c	d	e
			Unweighted value by residual maturity			
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding (ASF) Items						
1	Capital items and instruments	**3,555**	**-**	**-**	**500**	**4,055**
2	*Own funds*	3,555	-	-	500	4,055
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**52,593**	**51**	**1,157**	**50,932**
5	*Stable deposits*		47,859	44	1,100	46,608
6	*Less stable deposits*		4,734	6	57	4,324
7	Wholesale funding:		**2,473**	**93**	**8,462**	**9,244**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		2,473	93	8,462	9,244
10	Interdependent liabilities		**-**	**-**	**-**	**-**
11	Other liabilities:	**-**	**269**	**2**	**406**	**407**
12	*NSFR derivative liabilities*	**-**				
13	*All other liabilities and capital instruments not included in the above categories*		269	2	406	407
14	**Total available stable funding (ASF)**					**64,637**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**345**
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		**33**	**37**	**5,127**	**4,418**
16	Deposits held at other financial institutions for operational purposes		**-**	**-**	**-**	**-**
17	Performing loans and securities:		**5,440**	**1,678**	**42,415**	**30,665**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-

		a	b	c	d	e
			Unweighted value by residual maturity			Weighted value
	In € millions	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		4,260	1,185	636	1,655
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		813	91	1,656	1,802
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		44	39	1,103	785
22	*Performing residential mortgages, of which:*		346	401	39,829	26,945
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		321	375	38,491	25,916
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		21		294	262
25	Interdependent assets		-	-	-	-
26	Other assets:	-	**1,453**	**112**	**993**	**1,676**
27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		663	109	237	857
29	*NSFR derivative assets*		22			22
30	*NSFR derivative liabilities before deduction of variation margin posted*		117			6
31	*All other assets not included in the above categories*		651	3	755	791
32	Off-balance sheet items		**585**	-	-	**36**
33	**Total RSF**					**37,140**
34	**Net Stable Funding Ratio (%)**					**174.04%**

7. Credit risk

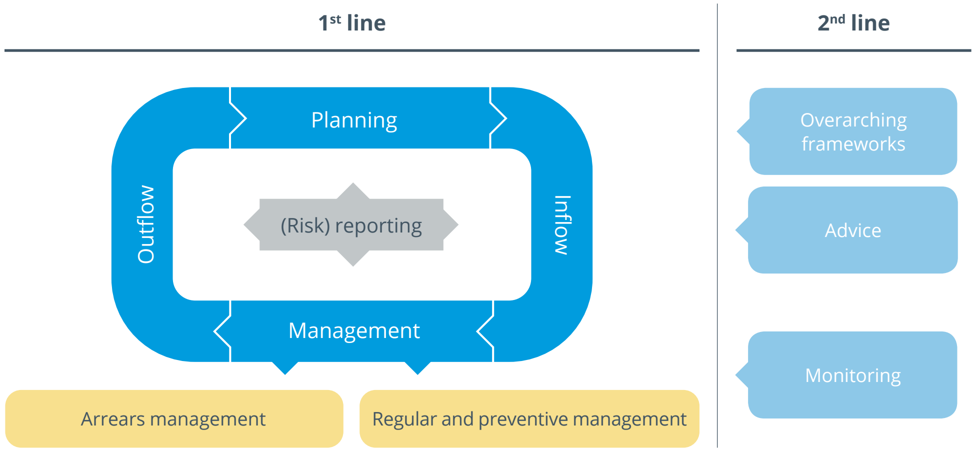
7.1 Credit risk quality

7.1.1 General qualitative information regarding credit risk

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 Volkbank 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[1] 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 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_2 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.

[1] 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.

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 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.

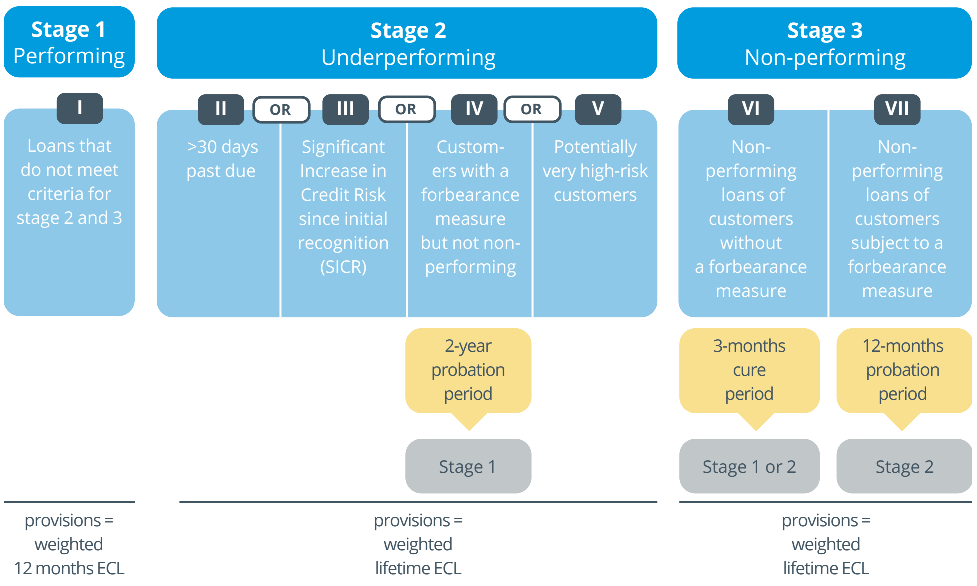
7.1.1.1 Provisioning methodology
Loan loss provisions (IFRS 9)
Based on IFRS 9 Expected Credit Loss (ECL) models, we estimate the risk of our customers running into financial difficulties on a monthly basis. Details of how loan loss provisions are determined are set out in this section.

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 forborne category (category VII) and were reclassified to the prudential performing forborne 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 provison 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).

7.1.2 General quantitative information regarding credit risk

EU CR1 - Performing and non-performing exposures and related provisions 2023

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	in € millions		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	5,864	5,864	--	--	--	--	--	--	--	--	--	--	--	--	--
010	Loans and advances	56,449	53,625	2,810	558	--	552	-97	-48	-49	-89	--	-87	--	50,987	454
020	*Central banks*	512	512	--	--	--	--	--	--	--	--	--	--	--	--	--
030	*General governments*	402	402	--	--	--	--	-0	-0	--	--	--	--	--	20	--
040	*Credit institutions*	4,163	4,163	--	--	--	--	-4	-4	--	--	--	--	--	959	--
050	*Other financial corporations*	261	261	--	--	--	--	-0	-0	--	--	--	--	--	--	--
060	*Non-financial corporations*	1,688	1,556	133	58	--	58	-10	-4	-6	-36	--	-36	--	777	12
070	*Of which SMEs*	553	486	67	20	--	20	-7	-3	-5	-5	--	-5	--	534	12
080	*Households*	49,422	46,732	2,677	500	--	494	-83	-39	-43	-53	--	-51	--	49,231	443
090	Debt securities	6,709	6,709	--	--	--	--	-7	-7	--	--	--	--	--	1,208	--
110	*General governments*	4,229	4,229	--	--	--	--	-3	-3	--	--	--	--	--	306	--
120	*Credit institutions*	1,686	1,686	--	--	--	--	-3	-3	--	--	--	--	--	870	--
130	*Other financial corporations*	332	332	--	--	--	--	-1	-1	--	--	--	--	--	--	--
140	*Non-financial corporations*	461	461	--	--	--	--	-1	-1	--	--	--	--	--	33	--
150	Off-balance-sheet exposures	2,848	2,772	76	14	--	14	-7	-4	-3	-4	--	-4	-	1,079	9
170	*General governments*	300	300	--	--	--	--	--	--	--	--	--	--	-	--	--
190	*Other financial corporations*	8	8	--	--	--	--	--	--	--	--	--	--	-	--	--
200	*Non-financial corporations*	238	216	22	1	--	1	-1	-1	-1	-0	--	-0	-	64	0
210	*Households*	2,302	2,248	54	13	--	13	-6	-3	-2	-4	--	-4	-	1,015	9
220	**Total**	**71,869**	**68,970**	**2,885**	**572**	**--**	**566**	**-111**	**-59**	**-52**	**-93**	**--**	**-92**	**--**	**53,274**	**463**

The coverage ratio for non-performing loans and advances is 15.8% as per 31 December 2023 (31 December 2022: 12.8%). The coverage ratio for non-performing loans and advances is calculated by dividing the provisions and if applicable, the negative fair value adjustments due to credit risk for non-performing loans and advances, by the total gross carrying amount for non-performing loans and advances.

Cash balances at central banks & other demand deposits decreased by € 2.1 billion attributable to cash management activities.

Loans and advances decreased by € 1 billion in 2023 and is mainly attributable to a decrease of loans and advances to credit institutions € 2.3 billion. The opposite effect of the before mentioned decrease is an increase in loans and advances to Non-financial corporations € 249 million and loans and advances to households € 1.2 billion.

Performing stage 1 exposure decreased by € 2.4 billion as result of less Cash balances at central banks and other demand deposits € 2.1 billion and less loans and advances to credit institutions 2.3 billion exposure. The decrease is partly offset by an increase in loans and advances to households € 0.7 billion and debt securities € 1.1 billion.

Performing stage 2 exposures increased mainly due to an increase in stage 2 interest-only mortgages and increased Loan to Values (LtVs).

Performing exposures - accumulated impairment and provisions increased by € 4 million mostly due to an increase in the provisions for mortgages.

Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions increased by € 19 million attributable to few non-financial corporations customers € 3 million and households both in stage 3.

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.

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 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.

EU CR1 - Performing and non-performing exposures and related provisions 2022

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	in € millions		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	7,988	7,988	--	--	--	--	--	--	--	--	--	--	--	--	--
010	Loans and advances	57,457	54,963	2,493	549	--	549	-90	-51	-39	-70	--	-70	--	51,521	453
020	*Central banks*	402	402	--	--	--	--	--	--	--	--	--	--	--	--	--
030	*General governments*	463	444	19	--	--	--	-0	-0	-0	--	--	--	--	88	--
040	*Credit institutions*	6,487	6,487	--	--	--	--	-5	-5	--	--	--	--	--	2,472	--
050	*Other financial corporations*	239	239	--	--	--	--	-1	-1	--	--	--	--	--	--	--
060	*Non-financial corporations*	1,439	1,363	76	64	--	64	-8	-4	-4	-28	--	-28	--	714	14
070	*Of which SMEs*	452	401	52	23	--	23	-7	-3	-4	-6	--	-6	--	433	14
080	*Households*	48,427	46,029	2,398	485	--	485	-76	-41	-35	-42	--	-42	--	48,246	439
090	Debt securities	5,561	5,561	--	--	--	--	-7	-7	--	--	--	--	--	951	--
110	*General governments*	3,489	3,489	--	--	--	--	-2	-2	--	--	--	--	--	272	--
120	*Credit institutions*	1,308	1,308	--	--	--	--	-2	-2	--	--	--	--	--	627	--
130	*Other financial corporations*	290	290	--	--	--	--	-1	-1	--	--	--	--	--	--	--
140	*Non-financial corporations*	474	474	--	--	--	--	-1	-1	--	--	--	--	--	52	--
150	Off-balance-sheet exposures	2,985	2,938	48	13	--	13	-9	-7	-2	-4	--	-4		1,432	7
170	*General governments*	301	301	--	--	--	--	--	--	--	--	--	--		--	--
190	*Other financial corporations*	7	7	--	--	--	--	--	--	--	--	--	--		--	--
200	*Non-financial corporations*	310	306	3	1	--	1	-1	-1	-0	-0	--	-0		134	0
210	*Households*	2,368	2,324	44	11	--	11	-8	-6	-2	-4	--	-4		1,297	7
220	**Total**	**73,991**	**71,450**	**2,541**	**562**	**--**	**562**	**-107**	**-66**	**-41**	**-74**	**--**	**-74**	**--**	**53,903**	**460**

EU CR1-A - Maturity of exposures 2023

		a	b	c	d	e	f
		Net exposure value					
	In € millions	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	567	2,443	3,013	50,223	575	**56,821**
2	Debt securities	-	1,214	2,576	2,912	-	**6,702**
3	**Total**	**567**	**3,657**	**5,589**	**53,135**	**575**	**63,523**

EU CR1-A - Maturity of exposures 2022

		a	b	c	d	e	f
		Net exposure value					
	In € millions	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	604	6,637	1,546	48,393	666	57,846
2	Debt securities	-	747	2,437	2,370	-	5,554
3	**Total**	**604**	**7,383**	**3,983**	**50,763**	**666**	**63,400**

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 longer term time horizon fixed mortgage rates continued.

De Volksbank does not have a NPE ratio equal to or higher than 5%. The reporting threshold of Article 8 (3) of Regulation (EU) 2021/637 is thus not met and therefore tables EU CQ2, EU CQ6 and EU CQ8 are not included below.

EU CQ1 - Credit quality of forborne exposures 2023

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
	in € millions	Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which Collateral and financial guarantees received on non-performing exposures with forbearance measures
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	798	322	322	322	-14	-66	1,027	246
060	*Non-financial corporations*	14	50	50	50	-1	-33	21	9
070	*Households*	784	272	272	272	-13	-32	1,006	237
080	Debt securities	-	-	-	-	-	-	-	-
090	Loan commitments given	3	3	3	3	-0	-1	4	2
100	**Total**	**801**	**326**	**326**	**326**	**-14**	**-67**	**1,030**	**248**

The forborne exposures portfolio showed a decrease mainly due to mortgage repayments.

Regulatory requirements for UtP triggers also became more detailed and prescriptive. De Volksbank differentiates between mandatory and judgemental UtP triggers.

Mandatory UtP triggers, such as fraud, bankruptcy or exposure assignment to stage 3, automatically lead to a default status. Judgemental triggers give signals that there is a high probability that the obligor's payment capacity will suffer as a result of the changing conditions and /or specific events. judgemental triggers are based on subjective signals that should be supported by verifiable evidence. Both mandatory and judgemental triggers are specified in the risk policy on the application of default and registered in the bank's system.

See also section 7.1.1 General qualitative information regarding credit risk.

EU CQ1 - Credit quality of forborne exposures 2022

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
	in € millions	Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which Collateral and financial guarantees received on non-performing exposures with forbearance measures
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	852	303	303	303	-12	-27	1,108	272
060	*Non-financial corporations*	13	12	12	12	-0	-2	20	9
070	*Households*	839	292	292	292	-12	-25	1,088	263
080	Debt securities	-	-	-	-	-	-	-	-
090	Loan commitments given	5	2	2	2	-0	-2	3	0
100	**Total**	**857**	**306**	**306**	**306**	**-12**	**-29**	**1,111**	**273**

EU CQ3 - Credit quality of performing and non-performing exposures by past due days 2023

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
	in € millions		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	5,864	5,864	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	56,449	56,287	162	558	445	30	28	27	16	2	10	558
020	*Central banks*	512	512	-	-	-	-	-	-	-	-	-	-
030	*General governments*	402	402	-	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	4,163	4,163	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	261	261	-	-	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	1,688	1,686	2	58	50	0	1	3	1	0	3	58
070	*Of which SMEs*	553	551	2	20	12	0	1	3	1	0	3	20
080	*Households*	49,422	49,263	160	500	395	30	27	24	16	2	6	500
090	Debt securities	6,709	6,709	-	-	-	-	-	-	-	-	-	-
110	*General governments*	4,229	4,229	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	1,686	1,686	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	332	332	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	461	461	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	2,848			14								14
170	*General governments*	300			-								-
190	*Other financial corporations*	8			-								-
200	*Non-financial corporations*	238			1								1
210	*Households*	2,302			13								13
220	**Total**	**71,869**	**68,859**	**162**	**572**	**445**	**30**	**28**	**27**	**16**	**2**	**10**	**572**

Performing exposure decreased by € 2.1 billion in 2023 and is mainly attributable to a decrease of cash balances and loans and advances to credit institutions.

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.

In addition to loans in default, loans to customers who are subject to a forbearance measure, 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.

EU CQ3 - Credit quality of performing and non-performing exposures by past due days 2022

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			**Non-performing exposures**								
	in € millions		**Not past due or past due <= 30 days**	**Past due > 30 days <= 90 days**		**Unlikely to pay that are not past due or are past due <= 90 days**	**Past due > 90 days <= 180 days**	**Past due > 180 days <= 1 year**	**Past due > 1 years <= 2 years**	**Past due > 2 years <= 5 years**	**Past due > 5 years <= 7 years**	**Past due > 7 years**	**Of which defaulted**
005	Cash balances at central banks and other demand deposits	7,988	7,988	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	57,457	57,334	123	549	448	20	26	22	21	2	10	549
020	*Central banks*	402	402	-	-	-	-	-	-	-	-	-	-
030	*General governments*	463	463	-	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	6,487	6,487	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	239	239	-	-	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	1,439	1,438	1	64	57	2	0	1	0	0	3	64
070	*Of which SMEs*	452	452	1	23	16	2	0	1	0	0	3	23
080	*Households*	48,427	48,305	122	485	391	18	26	21	21	2	7	485
090	Debt securities	5,561	5,561	-	-	-	-	-	-	-	-	-	-
110	*General governments*	3,489	3,489	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	1,308	1,308	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	290	290	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	474	474	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	2,985			13								13
170	*General governments*	301			-								-
190	*Other financial corporations*	7			-								-
200	*Non-financial corporations*	310			1								1
210	*Households*	2,368			11								11
220	**Total**	**73,991**	**70,883**	**123**	**562**	**448**	**20**	**26**	**22**	**21**	**2**	**10**	**562**

EU CQ4 - Quality of non-performing exposures by geography 2023

In € millions	a	c	e	f
	Gross carrying/Nominal amount		Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given
		of which: defaulted		
010 On balance sheet exposures	**63,715**	**558**	**-193**	
020 Netherlands	53,406	551	-181	
030 Germany	2,378	1	-2	
040 Switzerland	2,068	0	-1	
050 France	835	0	-1	
060 Belgium	796	5	-2	
070 Other countries	705	0	-2	
080 Japan	667	-	-0	
090 Finland	615	-	-0	
100 Spain	394	0	-0	
110 United States	366	0	-1	
120 Norway	323	-	-1	
130 Luxembourg	296	0	-0	
140 Austria	190	-	-0	
150 Canada	162	0	-0	
160 United Kingdom	154	0	-0	
170 Denmark	116	-	-0	
180 Ireland	72	0	-0	
190 Sweden	59	0	-0	
200 Italy	48	-	-1	
210 Korea, Rebublic of	24	-	-0	
220 Australia	14	0	-0	
230 Slovenia	13	0	-0	
240 Iceland	10	-	-0	
250 United Arab Emirates	1	0	-0	
260 Singapore	1	-	-0	
270 Turkey	1	-	-0	
280 Kenya	1	-	-0	
290 Curaçao	1	0	-0	
300 Russian Federation	1	-	-0	
310 Off balance sheet exposures	**2,862**	**14**		**11**
320 Netherlands	2,829	14		11
330 Germany	10	0		-
340 France	9	0		-
350 Belgium	7	0		-
360 United Kingdom	2	0		-
370 Other countries	5	0		-
380 Total	**66,577**	**572**	**-193**	**11**

This table contains a breakdown of exposures in countries where the exposure value is greater than € 0.5 million.

De Volksbank is predominantly active in the Dutch market and especially the domestic mortgage market. The exposures outside the Netherlands are mostly caused by liquidity management activities (central government bonds, money market activities with financial institutions). Exposures to International Organisations and Multilateral Development Banks are included in Other countries.

The template is disclosed because the non-domestic exposures as on 31 December 2023 is 16.2%, which exceeds the required threshold of 10%. De Volksbank does not have a NPE ratio equal to or higher than 5%.

The reporting threshold of Article 8 (3) of Regulation (EU) 2021/637 is thus not met and therefore column b and d in the table above are not reported.

EU CQ4 - Quality of non-performing exposures by geography 2022

In € millions	a	c	e	f
	Gross carrying/Nominal amount		Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given
		of which: defaulted		
010 On balance sheet exposures	**63,567**	**549**	**-167**	
020 Netherlands	52,756	542	-155	
030 Switzerland	3,386	0	-1	
040 Germany	2,373	1	-2	
050 France	745	0	-1	
060 Other countries	699	0	-1	
070 Belgium	668	5	-1	
080 Finland	523	-	-1	
090 Austria	481	-	-0	
100 United Kingdom	445	0	-1	
110 Luxembourg	404	-	-1	
120 Liechtenstein	254	-	-0	
130 Denmark	217	-	-0	
140 Spain	205	0	-0	
150 Norway	113	0	-0	
160 Canada	95	0	-0	
170 United States	68	0	-0	
180 Sweden	56	0	-0	
190 Ireland	28	0	-0	
200 Korea, Republic of	19	-	-0	
210 Italy	16	0	-0	
220 Slovenia	10	-	-0	
230 Curaçao	1	0	-0	
240 Singapore	1	-	-0	
250 United Arab Emirates	1	0	-0	
260 Turkey	1	-	-0	
270 Taiwan, Province of China	1	-	-0	
280 Russian Federation	1	-	-0	
290 Off balance sheet exposures	**2,998**	**13**		**14**
300 Netherlands	2,975	12		14
310 Germany	12	0		-
320 Belgium	7	0		-
330 United Kingdom	2	0		-
340 Other countries	2	0		-
350 Total	**66,565**	**562**	**-167**	**14**

EU CQ5 - Credit quality of loans and advances by industry 2023

In € millions	a	c	e
	Gross carrying amount		Accumulated impairment
		of which: defaulted	
010 Agriculture, forestry and fishing	1	-	-0
020 Mining and quarrying	-	-	-
030 Manufacturing	26	5	-2
040 Electricity, gas, steam and air conditioning supply	785	38	-32
050 Water supply	0	-	-
060 Construction	42	1	-1
070 Wholesale and retail trade	36	1	-1
080 Transport and storage	3	0	-0
090 Accommodation and food service activities	4	1	-0
100 Information and communication	3	0	-0
110 Financial and insurance activities	341	4	-5
120 Real estate activities	261	4	-3
130 Professional, scientific and technical activities	123	3	-2
140 Administrative and support service activities	11	0	-0
150 Public administration and defense, compulsory social security	-	-	-
160 Education	1	0	-0
170 Human health services and social work activities	94	0	-0

In € millions	a Gross carrying amount	c of which: defaulted	e Accumulated impairment
180 Arts, entertainment and recreation	15	0	-0
190 Other services	2	1	-0
200 Total	**1,747**	**58**	**-46**

De Volksbank mainly focuses on retail customers therefore the exposure to non-financial corporations is relatively small. The increase of the total gross carrying amount and the provisions are mainly due to the increase in loans and advances in the industry electricity, gas, steam and air conditioning supply, and financial and insurance activities for individual corporate customers.

De Volksbank does not have a NPE ratio equal to or higher than 5%. The reporting threshold of Article 8 (3) of Regulation (EU) 2021/637 is thus not met and therefore column b and d in the table above are not reported.

EU CQ5 - Credit quality of loans and advances by industry 2022

In € millions	a Gross carrying amount	c of which: defaulted	e Accumulated impairment
010 Agriculture, forestry and fishing	0	0	-0
020 Mining and quarrying	-	-	-
030 Manufacturing	18	5	-2
040 Electricity, gas, steam and air conditioning supply	630	41	-23
050 Water supply	0	0	-0
060 Construction	37	0	-0
070 Wholesale and retail trade	35	3	-1
080 Transport and storage	3	0	-0
090 Accommodation and food service activities	4	2	-0
100 Information and communication	3	0	-0
110 Financial and insurance activities	261	5	-4
120 Real estate activities	291	3	-3
130 Professional, scientific and technical activities	84	3	-1
140 Administrative and support service activities	10	0	-0
150 Public administration and defense, compulsory social security	-	-	-
160 Education	1	0	-0
170 Human health services and social work activities	110	0	-0
180 Arts, entertainment and recreation	15	1	-0
190 Other services	2	1	-0
200 Total	**1,503**	**64**	**-36**

De Volksbank does not have collateral obtained by taking possession and execution processes. Template EU CQ7 - Collateral obtained by taking possession and execution processes is therefore not included in this report.

EU CR2 - Changes in the stock of non-performing loans and advances 2023

In € millions	a Gross carrying amount 31-12-2023	a Gross carrying amount 31-12-2022
010 Initial stock of non-performing loans and advances	**549**	**607**
020 Inflows to non-performing portfolios	255	275
030 Outflows from non-performing portfolios	-246	-334
040 Outflows due to write-offs	-2	-4
050 Outflow due to other situations	-244	-330
060 Final stock of non-performing loans and advances	**558**	**549**

The stock of non-performing loans and advances increased due to the low outflow and higher inflow in 2023. Increase of non-performing exposure is caused by clients in arrears, which was slighty higher compared to year-end 2022. Loans and advances in arrears as a percentage of total loans is 0.8%.

7.2 Use of Credit Risk Mitigation techniques

De Volksbank has divided its credit risk portfolio into several exposure classes. We use the Advanced Internal Ratings-Based approach to calculate the capital requirements for the residential mortgage portfolios. We use the Standardised Approach for all other portfolios. The credit risk portfolio is presented in the Pillar 3 report in accordance with regulations: Standardised Approach (SA) versus Advanced Internal Ratings-Based (AIRB) approach and then further specified within the exposure classes.

7.2.1 General qualitative information regarding credit risk mitigation

Collateral

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.

7.2.2 General quantitative information regarding credit risk mitigation

EU CR3 – CRM techniques – Overview 2023

	In € millions	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	11,243	51,442	50,216	1,226	-
2	Debt securities	5,493	1,208	-	1,208	-
3	**Total**	**16,736**	**52,650**	**50,216**	**2,434**	**-**
4	*Of which non-performing exposures*	15	454	454	0	-
EU-5	*Of which defaulted*	15	454	454	0	-

The unsecured carrying amount and secured carrying amount of loans and advances decreased by € 2.6 billion and € 0,5 billion respectively. The decrease of secured loans and advances was due to a decrease of loans and advances secured by financial guarantees.

EU CR3 – CRM techniques – Overview 2022

	in € millions	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	13,860	51,974	49,133	2,841	-
2	Debt securities	4,603	951	-	951	
3	**Total**	**18,463**	**52,925**	**49,133**	**3,792**	-
4	*Of which non-performing exposures*	26	453	453	-	-
EU-5	*Of which defaulted*	26	453	453	-	-

7.3 Use of the Standardised Approach

We distinguish the following exposure classes within the Standardised Approach (SA):

- **Central governments or central banks.** In addition to direct exposures to central governments and central banks, this also includes items covered by guarantees of these entities.
- **Regional governments or local authorities.** These are, for example, provinces, municipalities or water boards.
- **Public sector entities.** These include non-commercial administrative bodies, such as universities or university hospitals, that are accountable to central, regional or local governments.
- **Multilateral development banks.** Examples in this exposure class are the European Investment Bank and the Council of Europe.
- **International organisations.** Legal entities subject to international law, established by two or more member states and incorporated on the basis of a treaty or an agreement. An example is the European Stability Mechanism (ESM).
- **Institutions.** These are mainly credit institutions such as banks.
- **Corporates.** These include SMEs with an exposure exceeding € 1 million (excluding exposures fully and completely secured on residential property collateral) as well as large businesses. Large businesses are companies employing more than 250 people, with sales equal to or greater than € 50 million and a balance sheet total equal to or greater than € 43 million.
- **Retail.** In addition to natural persons, this category also contains SMEs with an exposure of no more than € 1 million (excluding exposures fully and completely secured on residential property collateral). These are companies employing fewer than 250 people and which have an annual turnover not exceeding € 50 million, and/or an annual balance sheet total not exceeding € 43 million.
- **Secured by mortgages on immovable property.** This exposure includes exposures secured by mortgages on residential and commercial immovable property.
- **Exposures in Default.** All SA exposures that are either or both unlikely to pay or are more than 90 days in arrears on any material credit obligation are in default.
- **Items associated with particularly high risk.** This includes high risk mortgages and investments in venture capital funds.
- **Covered bonds.** These are bonds that offer additional security to the holders by means of a first right to specific assets upon bankruptcy.
- **Collective investments undertakings.** These are equity exposures in investment funds.
- **Equity exposures.** This category includes exposures to equities of businesses.
- **Other items.** All other exposures that do not fall in any of the above categories are classified in this category.

De Volksbank does not have exposures in the exposure class:

- **Claims on institutions and corporates with a short-term credit assessment.**

7.3.1 Qualitative information regarding the use of the Standardised Approach

Under the Standardised Approach (SA), credit risk is measured using prescribed risk weights that are applied to the exposure. The application of risk weights within the SA is subject to a set of fixed rules and is primarily determined by the risk classification of the underlying asset.

External ratings issued by recognised credit rating agencies serve as input to determine the risk classification and, as a result, the risk weight in the SA measurement of risk-weighted assets (RWA). De Volksbank uses the recognised external ratings issued by Standard & Poor’s, Moody’s and Fitch Ratings. The credit rating is related to the credit quality steps (from high to low: 1 through 6) defined in the regulation. The CRR/CRD IV rules indicate for various exposure classes which risk weight corresponds with which credit quality step.

The table below indicates for each exposure class, if applicable, the rating agency whose ratings are applied.

SA Ratings

Exposure classes	S&P	Moody's	Fitch	Regulatory Risk Weight
Central governments or central banks	x	x	x	
Regional governments or local authorities				x
Public sector entities				x
Multilateral development banks	x	x	x	
International organisations				x
Institutions	x	x	x	
Corporates	x	x	x	
Retail				x
Secured by mortgages on immovable property				x
Exposures in Default				x
Covered Bonds	x	x	x	
Collective investment undertakings				x
Equity exposures				x
Other exposures				x

Following the guidelines (CRR), we use credit ratings to determine the risk weight for an exposure, which is a standard method used to link the rating to a credit quality step (in accordance with ITS 2016/1799). If a single credit rating is available, that credit rating is used to determine the risk weight; if two credit ratings are available and the associated risk weights differ, the highest risk weight is used; If three credit ratings are available the highest associated risk weight is removed, of the two remaining risk weights the highest is used.

If no issue rating is available, we first check whether a rating has been given for a similar issue of the same counterparty, which may be adopted. If no other issue rating is available, the issuer rating – the rating provided by the issuer – may be used. If neither an issue rating nor an issuer rating exists, the risk weight for unrated exposures is used.

7.3.2 Quantitative information regarding the use of the Standardised Approach

EU CR4 – Standardised approach – Credit risk exposure and CRM effects 2023[1]

	in € millions Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density (%)
		a	b	c	d	e	f
1	Central governments or central banks	8,854	-	9,203	-	-	0.00%
2	Regional government or local authorities	863	-	866	0	73	8.46%
3	Public sector entities	1,044	300	1,023	150	35	2.94%
4	Multilateral development banks	457	-	457	-	-	0.00%
5	International organisations	241	-	241	-	-	0.00%
6	Institutions	3,877	-	3,819	-	1,137	29.77%
7	Corporates	2,232	200	1,958	100	1,742	84.64%
8	Retail	76	477	75	32	70	65.78%
9	Secured by mortgages on immovable property	1,158	29	1,158	14	694	59.18%
10	Exposures in default	39	1	39	1	52	130.95%
11	Exposures associated with particularly high risk	0	-	0	-	0	150.00%
12	Covered bonds	812	-	812	-	81	10.00%
14	Collective investment undertakings	1	-	1	-	8	583.41%
15	Equity	13	-	13	-	13	100.00%
16	Other items	342	-	342	-	314	91.92%
17	**Total**	20,010	1,007	20,010	297	4,220	20.78%

1 This table excludes exposures subject to counterparty credit risk.

The decrease in exposures to Central governments or central banks is mainly due to the decrease in central bank reserves by € 1.9 billion compared to year-end 2022, partly compensated by an increase in sovereign bonds.

The decrease in exposures for the asset class Institutions reflects a lower amount of outstanding short term deposits with other banks compared to year-end 2022.

The increase in RWA for the exposure class Secured by immovable property is mainly caused by not longer applying loan splitting for a substantial part of the SME portfolio

EU CR4 – Standardised approach – Credit risk exposure and CRM effects 2022[1]

in € millions Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density (%)
	a	b	c	d	e	f
1 Central governments and central banks	10,443	-	10,865	-	122	1.12%
2 Regional governments or local authorities	732	-	800	-	65	8.19%
3 Public sector entities	980	300	892	150	33	3.12%
4 Multilateral developments banks	494	-	494	-	-	0.00%
5 International organisations	202	-	202	-	-	0.00%
6 Institutions	5,924	-	5,853	-	1,510	25.80%
7 Corporates	2,127	221	1,797	110	1,571	82.33%
8 Retail	122	488	122	28	94	62.41%
9 Secured by mortgages on immovable property	945	41	945	20	517	53.60%
10 Exposures in default	55	2	55	1	66	119.05%
11 Items associated with particularly high risk	0	-	0	-	0	150.00%
12 Covered bonds	556	-	556	-	56	10.00%
14 Collective investments undertakings	1	-	1	-	6	442.46%
15 Equity exposures	11	-	11	-	11	100.00%
16 Other Items	312	-	312	-	251	80.53%
17 Total	**22,903**	**1,052**	**22,903**	**310**	**4,302**	**18.53%**

1 This table excludes exposures subject to counterparty credit risk.

EU CR5 – Standardised approach 2023

	in € millions Exposure classes	Risk weight											
		0%	10%	20%	35%	50%	75%	100%	150%	250%	1250%	Total	Of which unrated
		a	d	e	f	g	i	j	k	l	n	p	q
1	Central governments or central banks	9,203	--	--	--	--	--	--	--	--	--	9,203	--
2	Regional government or local authorities	500	--	366	--	--	--	--	--	--	--	866	2
3	Public sector entities	1,007	--	162	--	4	--	--	--	--	--	1,173	3
4	Multilateral development banks	457	--	--	--	--	--	--	--	--	--	457	--
5	International organisations	241	--	--	--	--	--	--	--	--	--	241	--
6	Institutions	--	--	2,575	--	1,244	--	--	--	--	--	3,819	--
7	Corporates	--	--	88	--	388	--	1,582	--	--	--	2,058	1,026
8	Retail exposures	--	--	--	--	--	107	--	--	--	--	107	107
9	Exposures secured by mortgages on immovable property	--	--	--	--	--	1,050	123	--	--	--	1,172	1,172
10	Exposures in default	--	--	--	--	--	--	15	24	--	--	40	40
11	Exposures associated with particularly high risk	--	--	--	--	--	--	--	0	--	--	0	0
12	Covered bonds	--	812	--	--	--	--	--	--	--	--	812	--
14	Units or shares in collective investment undertakings	0	--	1	--	--	--	0	0	--	1	1	1
15	Equity exposures	--	--	--	--	--	--	13	--	--	--	13	13

	in € millions Exposure classes	Risk weight 0%	10%	20%	35%	50%	75%	100%	150%	250%	1250%	Total	Of which unrated
		a	d	e	f	g	i	j	k	l	n	p	q
16	Other items	28	--	--	--	--	--	314	--	--	--	342	342
17	**Total**	**11,436**	**812**	**3,193**	**--**	**1,636**	**1,157**	**2,047**	**25**	**--**	**1**	**20,306**	**2,707**

The decrease in exposures to Central governments or central banks is mainly due to the decrease in central bank reserves by € 1.9 billion compared to year-end 2022, partly compensated by an increase in sovereign bonds.

The decrease in exposures for the asset class Institutions reflects a lower amount of outstanding short term deposits with other banks compared to year-end 2022.

The increase in RWA for the exposure class Secured by immovable property is largely related to that no longer loansplitting is applied. As a result of this the 35% and 50% risk weight is empty compared to year-end 2022.

De Volksbank does not have exposures in the exposure class Institutions and corporates with a short term credit assessment.

EU CR5 – Standardised approach 2022

	in € millions Exposure classes	Risk weight 0%	10%	20%	35%	50%	75%	100%	150%	250%	1250%	Total	Of which unrated
		a	d	e	f	g	i	j	k	l	n	p	q
1	Central governments and central banks	10,816	-	-	-	-	-	-	-	49	-	10,865	-
2	Regional governments or local authorities	472	-	327	-	-	-	-	-	-	-	800	-
3	Public sector entities	879	-	163	-	-	-	-	-	-	-	1,042	4
4	Multilateral developments banks	494	-	-	-	-	-	-	-	-	-	494	-
5	International organisations	202	-	-	-	-	-	-	-	-	-	202	-
6	Institutions	-	-	4,721	-	1,132	-	-	-	-	-	5,853	2
7	Corporates	-	-	121	-	409	-	1,377	-	-	-	1,908	868
8	Retail	-	-	-	-	-	150	-	-	-	-	150	149
9	Exposures secured by mortgages on immovable property	-	-	-	44	196	643	83	-	-	-	965	965
10	Exposures in default	-	-	-	-	-	-	35	21	-	-	56	57
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	0	-	-	0	0
12	Covered bonds	-	556	-	-	-	-	-	-	-	-	556	-
14	Collective investments undertakings	0	-	1	-	-	-	0	0	-	0	1	1
15	Equity exposures	-	-	-	-	-	-	11	-	-	-	11	11
16	Other Items	61	-	-	-	-	-	251	-	-	-	312	312
17	**Total**	**12,924**	**556**	**5,332**	**44**	**1,737**	**793**	**1,756**	**21**	**49**	**0**	**23,213**	**2,368**

7.4 Use of the AIRB approach to credit risk

De Volksbank uses the Advanced Internal Ratings-Based (AIRB) approach for residential mortgages. At the moment, de Volksbank has no intention of reporting other exposures classes under the AIRB approach.

RESIDENTIAL MORTGAGES

Exposures to individual residential mortgages – secured with collateral subject to a mortgage registration and possibly a National Mortgage Guarantee (NHG) – are classified as loans and advances to customers. At year-end 2023, the residential mortgages portfolio comprised 94% (2022: 94%) of de Volksbank's total loans and advances to customers.

7.4.1 Qualitative information regarding the use of the AIRB-approach

The AIRB approach measures credit risk using supervisory authority approved internal models for the calculation of Probability of Default (PD), (downturn) Loss Given Default (LGD), Credit Conversion Factor (CCF), Exposure at Default (EAD) and Margin of Conservatism (MoC), as input for the Risk Weighted Assets (RWA) calculation.

PROBABILITY OF DEFAULT

De Volksbank assesses debtors' credit quality by assigning them an internal risk rating. Based on historical data, a statistical rating model has been developed. The rating reflects the probability of a customer running into payments problems within the next 12 months, which is defined as default.

The model leads to the classification of customers in 15 different PD exposure risk rating classes: 14 non-default rating classes and 1 default rating class. Broadly speaking classes 5-9 correspond to customers 'recently recovered'[1]and rating classes 10-14 correspond to customers 'in arrears'. Rating class 5 refers to the part of the portfolio which is not rated directly by the rating model, but using a standard value comprising of the portfolio average. Rating class 5 represents approximately 4.4% of the mortgage portfolio and is included in PD range 0.10< to 0.15 in table EU_CR6.

LOSS GIVEN DEFAULT

When a customer defaults on its residential mortgage loan, large parts of the amount outstanding are usually recovered by the proceeds of selling the underlying collateral. The actual loss is the remaining part of the outstanding amount of the loan increased by the recovery costs. Together with the economic costs associated with the (un)forced sale of the collateral, this is the total loss namely Loss Given Default. The LGD is measured as a percentage of the exposure at default. Based on historical information, the average loss incurred in the event of default is estimated.

Each customer is allocated to a LGD rating bucket, which in turn is calibrated on a historically observed realised loss.

DOWNTURN LGD

In addition to determining the LGD based on current information, Downturn LGD is determined as input for calculating the RWA. The regulations specify that LGD estimates of internal models should be appropriate for an economic downturn, meaning that losses may be systematically higher under worse macroeconomic conditions than under 'normal' or average conditions. For the residential mortgages portfolio of the bank, downturn periods are determined. Based on these determined economic downturn periods, a downturn LGD is determined for each LGD bucket.

EAD AND CCF

The EAD is a calculation of the outstanding amount of a customer at the moment of default. For the products with a credit line a Credit Conversion Factor (CCF) is estimated for the relevant products.

MARGIN OF CONSERVATISM

Next to the PD, LGD and CCF models, a Margin of Conservatism (MoC) framework is required to take into account model risk. A MoC framework has been developed and implemented, which includes model risks related to development data and model estimation. The relevant identified risks are quantified and lead to an MoC add-on for PD, LGD, Downturn LGD and CCF.

INTERNAL RATING PROCEDURE

The internal rating procedure for residential mortgages is based on various data elements such as Loan-to-Value, type of collateral and payment behaviour, ensuring that risk is correctly measured. The ratings are automatically assigned in the rating procedure. This rating procedure runs every month for the entire residential mortgages portfolio, including contractual obligations for future loans (quotations or signed offers). Regarding the latter category, not all necessary information is available on that specific reporting date to calculate the regular PD, LGD and CCF; for this reason the average portfolio values are substituted, internally known as standard values.

CONTROL MECHANISM FOR THE INTERNAL RATING SYSTEM

Model documentation

An internal guideline of de Volksbank is that the documentation of AIRB models must be of sufficient detail to allow an independent validation of the model. It must include a description of the data used for model development, the methods used (and the rationale for choosing those methods), all assumptions used in the model and

[1] Relates to customers who were at least one month in arrears or in default at least once in the last 12 months but who have now recovered (i.e. who have paid the missed payments and now mortgage payments on time).

the known strengths and weaknesses of the model. Furthermore the documentation should include an assessment of compliance with relevant legislation and regulations.

Initial and periodic model validation
All new or revised models are subject to a thorough validation process before the external approval process by the supervisor commences. Model Validation (MV) examines the model's methodological development, the data used for model development, the model performance, the assumptions made during model development and whether the model can be used for calculating RWA. The examination by MV results in a validation report and accompanying advice.

MV also subjects the model to an annual review. Just like the model monitoring process (see below), this review is used to determine the extent to which the model is still performing in line with expectations, as well as whether the changes in model performance require a model adjustment.

Internal Model approval process
MV is an independent team that reports directly to the Model Governance Committee (MGC), which is chaired by the CRO. De Volksbank has adopted clear rules for the model approval process. The model owners submit the risk models to the MGC for approval, and the Asset Liability Committee (ALCO) is given the opportunity to examine the models' impact on capital requirements and decide on the timing of their implementation.

The MGC ensures that the model building and approval processes are followed and the various models are consistent.

After MV has issued its advice and the MGC has given a positive decision, the model is assessed for materiality of model change. If the change is determined to be material, the model is submitted for supervisory approval. In the case of a material model change, the model can only be deployed after external approval from supervisor.

Model monitoring
After the model has been approved and implemented, the second-line risk management department (EC Risk - Kern CRCU) performs a model monitoring process on a quarterly basis with the aim of assessing whether the model's predictive and explanatory power is still sufficient. The process includes an explicit review by the CRCU department of the model's projections as compared to actual performance. If CRCU finds a significant difference between the projections and actual performance, the cause is investigated and the need for a model adjustment is assessed. In this case, the model monitoring may lead to an early model review requested by MGC.

Audit
Audit has a standard invitation to MGC meetings and always receives the model validation reports, based on which it may commence an additional procedure.

Supervisory authority
Our AIRB models are also assessed by the supervisory authority: at the start of AIRB application, after a material change, and through Internal Model Investigations (IMIs). De Volksbank must act on the Supervisory Authority's findings, either immediately or in a subsequent model iteration. To address the findings of the Supervisory Authority as well as to implement the new regulations on PD and LGD estimation (issued by European Banking Authority), the AIRB model is redeveloped and submitted to the Supervisory Authority for their assessment.

In their assessment, the Supervisory Authority assesses the degree of compliance with legislation and regulations, the modelling techniques used and the model's applicability to the portfolio concerned. Based on findings, if any, the Supervisory Authority may give instructions, demand adjustments or even impose sanctions.

In October 2021, de Volksbank was given permission to use its updated AIRB model RegCap PHIRM to calculate the capital requirement of its mortgage portfolio. It consists of models for PD, (Downturn) LGD and CCF. The model calculates the likelihood of a customer running into payment problems within one year and the (un)expected losses resulting for the bank. We use the results to determine the RWA of the residential retail mortgage portfolio. They also serve as input for the management process and internal risk reports.

OTHER USES
Internal rating models are used to determine the LGD, the downturn LGD and the PD and calculate the RWA from these. Next to being used for regulatory capital calculations, the PD and LGD estimates play an essential role in the following processes:
• Input for regulatory and internal stress tests;
• Collection processes, early and late collections;
• Input for determining Economic Capital;
• Pricing;
• Portfolio management.

To determine IFRS 9 provisions de Volksbank has developed a separate IFRS 9 ECL model, using methodology comparable to our AIRB models and compliant to IFRS 9 regulations.

EXPECTED CREDIT LOSS ADJUSTMENT FOR THE AIRB APPROACH
The available capital for the potential differences between the loss expected under the CRR/CRD IV guidelines and the actual IFRS 9 provision for the related AIRB exposures is adjusted. A negative difference arises when the loss expected according to the CRR/CRD IV guidelines exceeds the IFRS 9 provision, creating an AIRB shortfall. Based on the CRR/CRD IV rules, the shortfall is subtracted from the available Common Equity Tier 1 capital. If the difference is positive (the provision is higher than the expected loss), this surplus is added to Tier 2 capital, taking into account certain regulatory restrictions.

7.4.2 Quantitative information regarding the use of the AIRB-approach

De Volksbank avails itself of an Advanced Internal Ratings Based (Advanced IRB or AIRB) model entitled Particuliere Hypotheken Interne Rating Model (PHIRM) to determine the credit risk in its residential mortgage portfolio. The model is continuously redeveloped to comply with new rules and regulations.

To become fully compliant with existing and new regulations and to address remaining obligations as well as internal model validation findings, we have initiated an overarching programme to incorporate the improvements into PHIRM. As a result, an amount of conservatism was already added to our AIRB calculations in the second half of 2022.

For more information regarding the (management of the) residential mortgage portfolio see also section 7.1.1 Credit risk - General qualitative information regarding credit risk and 7.1.2 Credit risk - General quantitative information regarding credit risk.

The following table presents the breakdown of the residential mortgages portfolio by PD scale.

EU CR6 – AIRB approach – Credit risk exposures by exposure class and PD range 2023[1]

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	j	k	l	m
Exposure class Retail - Secured by immovable property non-SME												
	0.00 to <0.15	17,221	285	1.0	17,506	0.13%	136,264	22.51%	1,294	7.39%	6	-3
	0.00 to <0.10	--	--	--	--	*0.00%*	--	*0.00%*	--	--	--	--
	0.10 to <0.15	*17,221*	*285*	*1.0*	*17,506*	*0.13%*	*136,264*	*22.51%*	*1,294*	*7.39%*	*6*	*-3*
	0.15 to <0.25	--	--	-	--	0.00%	--	0.00%	--	0.00%	-	0
	0.25 to <0.50	25,839	234	1.0	26,073	0.26%	103,097	24.65%	3,612	13.86%	21	-19
	0.50 to <0.75	2,776	39	1.0	2,814	0.60%	7,858	39.72%	1,147	40.77%	9	-9
	0.75 to <2.50	1,591	1,130	1.0	2,720	1.49%	13,283	29.41%	1,490	54.79%	15	-6
	0.75 to <1.75	1,487	*1,129*	*1.0*	*2,616*	*1.46%*	*12,777*	*29.53%*	*1,424*	*54.42%*	*14*	*-5*
	1.75 to <2.5	104	*1*	*1.0*	*104*	*2.27%*	*506*	*26.27%*	*67*	*64.18%*	*1*	*-1*
	2.50 to <10.00	919	114	1.0	1,034	7.29%	2,733	25.60%	1,192	115.38%	25	-16
	2.5 to <5	213	*1*	*1.0*	*215*	*4.06%*	*866*	*25.01%*	*183*	*85.43%*	*3*	*-3*
	5 to <10	706	*113*	*1.0*	*819*	*8.14%*	*1,867*	*25.75%*	*1,009*	*123.22%*	*22*	*-13*
	10.00 to <100.00	386	39	1.0	425	20.88%	1,094	28.69%	717	168.83%	34	-27
	10 to <20	306	*36*	*1.0*	*342*	*14.48%*	*778*	*28.61%*	*584*	*170.89%*	*19*	*-21*
	20 to <30	40	*1*	*1.0*	*41*	*29.35%*	*161*	*27.56%*	*77*	*186.39%*	*4*	*-3*

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	j	k	l	m
	30.00 to <100.00	40	*2*	*1.0*	*42*	*65.23%*	*155*	*30.43%*	*56*	*134.45%*	*11*	*-3*
	100.00 (Default)	476	9	1.0	485	100.00%	2,397	18.27%	625	129.09%	114	-43
	Subtotal (exposure class)	49,206	1,850	1.0	51,056	1.56%	266,726	24.99%	10,079	19.74%	225	-124
	Total (all exposures classes)	**49,206**	**1,850**	**1.0**	**51,056**		**266,726**		**10,079**	**19.74%**	**225**	**-124**

1 Including the Margin of Conservatism and Trim obligations.

De Volksbank uses the Advanced Internal Ratings-Based (AIRB) approach for the residential mortgages. At the moment, de Volksbank has no intention of reporting other exposures classes under the AIRB approach.

In 2023, RWA for the credit risk of the residential mortgage portfolio, calculated according to the AIRB approach, grew by € 1,644 million. Within RWA, the Article 3 CRR add-on as at year-end 2022 has been translated into additional conservatism on top of the calculated model-based AIRB RWA. The Article 3 CRR deduction as at year-end 2022 was related to the use of our new data warehouse, which 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 applied an add-on of € 83 million RWA with respect to our interest-only mortgages. These items explain the increase of the average risk weighting of residential mortgages to 19.7% from 18.2% at year-end 2022[1]. The EAD of the residential mortgage portfolio grew from € 50.2 billion to € 51.1 billion.

De Volksbank does not apply F-IRB to credit risk exposures. Therefore, template EU CR6 for F-IRB approach is not applicable and therefore not included in this report.

[1] Including an Article 3 CRR add-on at year-end 2022

EU CR6 – AIRB approach – Credit risk exposures by exposure class and PD range 2022[1]

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	j	k	l	m
Exposure class Retail - Secured by immovable property non-SME												
	0.00 to <0.15	19,516	354	1	19,870	0.12%	147,466	22.52%	1,311	7%	5	-3
	0.00 to <0.10	-	-	-	-	0.00%	-	0.00%	-	0%	-	-
	0.10 to <0.15	19,516	354	1	19,870	0.12%	147,466	22.52%	1,311	7%	5	-3
	0.15 to <0.25	-	-	-	-	0.00%	-	0.00%	-	0%	-	-
	0.25 to <0.50	23,943	298	1	24,241	0.25%	95,865	24.62%	2,998	12%	15	-17
	0.50 to <0.75	1,490	41	1	1,531	0.58%	4,671	37.71%	530	35%	3	-5
	0.75 to <2.50	1,491	1,044	1	2,535	1.46%	12,967	28.84%	1,232	49%	11	-5
	0.75 to <1.75	1,369	1,044	1	2,412	1.42%	12,384	29.02%	1,165	48%	10	-4

A-IRB	PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
	a	b	c	d	e	f	g	h	j	k	l	m
	1.75 to <2.5	122	0	1	122	2.20%	583	25.00%	67	55%	1	-1
	2.50 to <10.00	983	136	1	1,120	7.00%	3,104	24.97%	1,132	101%	20	-18
	2.5 to <5	261	1	1	262	3.93%	1,053	24.78%	199	76%	3	-3
	5 to <10	723	135	1	858	7.94%	2,051	25.06%	933	109%	17	-15
	10.00 to <100.00	398	60	1	457	18.55%	1,099	27.69%	678	148%	24	-27
	10 to <20	320	57	1	377	13.44%	823	27.65%	556	148%	14	-21
	20 to <30	46	2	1	48	28.39%	147	28.51%	85	177%	4	-4
	30.00 to <100.00	32	1	1	33	63.11%	129	26.99%	37	115%	6	-2
	100.00 (Default)	455	7	1	462	100.00%	2,347	18.54%	554	120%	86	-29
Subtotal (exposure class)		48,275	1,940	1	50,215	1.50%	267,519	24.38%	8,435	17%	163	-105
Total (all exposures classes)		**48,275**	**1,940**	**1**	**50,215**		**267,519**		**8,435**	**17%**	**163**	**-105**

1 Including the Margin of Conservatism and Trim obligations.

EU CR6-A – Scope of the use of AIRB and SA approaches 2023

	In € millions	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposure value subject to a roll-out plan (%)
		a	b	c	d	e
1	Central governments or central banks	-	11,490	100.00%	0.00%	0.00%
1.1	*Of which Regional governments or local authorities*		594	100.00%	0.00%	0.00%
1.2	*Of which Public sector entities*		1,344	100.00%	0.00%	0.00%
2	Institutions	-	4,959	100.00%	0.00%	0.00%
3	Corporates	-	2,444	100.00%	0.00%	0.00%
3.1	*Of which Corporates - Specialised lending, excluding slotting approach*		-	100.00%	0.00%	0.00%
3.2	*Of which Corporates - Specialised lending under slotting approach*		-	100.00%	0.00%	0.00%
4	Retail	48,831	50,599	3.49%	96.51%	0.00%
4.1	*of which Retail – Secured by real estate SMEs*		1,210	100.00%	0.00%	0.00%
4.2	*of which Retail – Secured by real estate non-SMEs*		48,833	0.00%	100.00%	0.00%
4.3	*of which Retail – Qualifying revolving*		418	100.00%	0.00%	0.00%
4.4	*of which Retail – Other SMEs*		136	100.00%	0.00%	0.00%

In € millions	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposure value subject to a roll-out plan (%)
	a	b	c	d	e
4.5 *of which Retail – Other non-SMEs*		420	100.00%	0.00%	0.00%
5 Equity	-	14	100.00%	0.00%	0.00%
6 Other non-credit obligation assets	-	342	100.00%	0.00%	0.00%
7 Total	**48,831**	**69,848**	**30.09%**	**69.91%**	**0.00%**

The decrease in exposures to Central governments or central banks is mainly due to the decrease in central bank reserves by € 1.9 billion compared to year-end 2022, partly compensated by an increase in sovereign bonds.

The decrease in exposures for the asset class Institutions reflects a lower amount of outstanding short term deposits with other banks compared to year-end 2022.

EU CR6-A – Scope of the use of AIRB and SA approaches 2022

In € millions	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to IRB Approach (%)	Percentage of total exposurevalue subject to a roll-out plan (%)
	a	b	c	d	e
1 Central governments or central banks	-	12,687	100%	0%	0%
1.1 *Of which Regional governments or local authorities*		268	100%	0%	0%
1.2 *Of which Public sector entities*		1,280	100%	0%	0%
2 Institutions	-	6,948	100%	0%	0%
3 Corporates	-	2,371	100%	0%	0%
3.1 *Of which Corporates - Specialised lending, excluding slotting approach*		-	100%	0%	0%
3.2 *Of which Corporates - Specialised lending under slotting approach*		-	100%	0%	0%
4 Retail	47,294	48,924	3.33%	96.67%	0%
4.1 *of which Retail – Secured by real estate SMEs*		1,011	100%	0%	0%
4.2 *of which Retail – Secured by real estate non-SMEs*		47,298	0%	100%	0%
4.3 *of which Retail – Qualifying revolving*		440	100%	0%	0%
4.4 *of which Retail – Other SMEs*		176	100%	0%	0%
4.5 *of which Retail – Other non-SMEs*		440	100%	0%	0%
5 Equity	-	12	100%	0%	0%
6 Other non-credit obligation assets	-	312	100%	0%	0%
7 Total	**47,294**	**71,253**	**33.62%**	**66.38%**	**0.00%**

Because de Volksbank does not use credit derivatives as a form of security or as an instrument to hedge credit risk, template EU CR7 AIRB approach – Effect on the RWAs is not applicable and therefore not included in this report.

EU CR7-A – AIRB approach – Disclosure of the extent of the use of CRM techniques 2023

	A-IRB	Total exposures	Credit risk Mitigation techniques						Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)					Unfunded credit Protection (UFCP)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
			Part of exposures covered by **Financial Collaterals (%)**	Part of exposures covered by **Other eligible collaterals (%)**	Part of exposures covered by **Immovable property Collaterals (%)**	Part of exposures covered by **Other funded credit protection (%)**	Part of exposures covered by **Instruments held by a third party (%)**	Part of exposures covered by **Guarantees (%)**		
		a	b	c	d	g	j	k	m	n
4	Retail	51,056	3.37%	98.47%	98.47%	0.00%	0.00%	21.28%	10,079	10,079
4.2	*Of which Retail – Immovable property non-SMEs*	51,056	3.37%	98.47%	98.47%	0.00%	0.00%	21.28%	10,079	10,079
5	**Total**	**51,056**	**3.37%**	**98.47%**	**98.47%**	**0.00%**	**0.00%**	**21.28%**	**10,079**	**10,079**

This table shows that the majority of our IRB exposures at year-end 2023 was covered by eligible collateral consisting of mainly immovable property and guarantees. De Volksbank only uses collateral and guarantees as credit risk mitigation technique taken into account in LGD estimates for its IRB retail portfolio.

De Volksbank does not apply F-IRB to credit risk exposures. Therefore, template CR7-A for F-IRB approach is not applicable and therefore not included in this report.

EU CR7-A – AIRB approach – Disclosure of the extent of the use of CRM techniques 2022

	A-IRB	Total exposures	Credit risk Mitigation techniques						Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)					Unfunded credit Protection (UFCP)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and substitution effects)
			Part of exposures covered by **Financial Collaterals (%)**	Part of exposures covered by **Other eligible collaterals (%)**	Part of exposures covered by **Immovable property Collaterals (%)**	Part of exposures covered by **Other funded credit protection (%)**	Part of exposures covered by **Instruments held by a third party (%)**	Part of exposures covered by **Guarantees (%)**		
		a	b	c	d	g	j	k	m	n
4	Retail	50,215	3.44%	98.83%	98.83%	0.00%	0.00%	20.49%	8,435	8,435
4.2	*Of which Retail – Immovable property non-SMEs*	50,215	3.44%	98.83%	98.83%	0.00%	0.00%	20.49%	8,435	8,435
5	**Total**	**50,215**	**3.44%**	**98.83%**	**98.83%**	**0.00%**	**0.00%**	**20.49%**	**8,435**	**8,435**

EU CR8 – RWEA flow statements of credit risk exposures under the AIRB approach 2023

	in € million	Risk weighted exposure amount a 31-12-2023	Risk weighted exposure amount a 30-9-2023	Risk weighted exposure amount a 30-6-2023	Risk weighted exposure amount a 31-3-2023
1	**Risk weighted exposure amount as at the end of the previous reporting period**[1]	**10,200**	**10,147**	**9,614**	**8,435**
2	Asset size (+/-)	304	233	66	165
3	Asset quality (+/-)	-509	-180	250	276
4	Model updates (+/-)	-	-	176	-
5	Methodology and policy (+/-)	-	-	-	-
6	Acquisitions and disposals (+/-)	-	-	-	-
7	Foreign exchange movements (+/-)	-	-	-	-
8	Other (+/-)	83	-	41	739
9	**Risk weighted exposure amount as at the end of the reporting period**	**10,079**	**10,200**	**10,147**	**9,614**

1 This table includes the RWEA flow statement per quarter.

RWA for the credit risk of the residential mortgage portfolio, calculated according to the AIRB approach, grew by € 1.6 billion. This includes the translation of the remaining €0.7 billion Article 3 add-on as at year-end 2022 into additional conservatism in the calculation of model based-AIRB RWA in the first quarter of 2023, which is shown in 'Other' in the above table. The application of an add-on of €83 million RWA to address the expectations of supervisory authorities with respect to our interest only mortgages is also shown in 'Other' in the above table in the fourth quarter of 2023.

BACKTESTING

As part of the quarterly monitoring process, a backtest is conducted to determine the extent to which the model's projections match actual performance within the portfolio. A major point of focus is that estimates in the model are based not only on recent developments but especially also on longer periods of observation. The PD model's backtest shows that the model underestimates for some buckets. Since this is not in line with the purpose of providing a Through-the-cycle estimate, an additional add-on has been introduced to mitigate the underestimation.

Note that the mortgages that are part of the formerly acquired DBV portfolio and the mortgage offers are not included in these backtesting results. Also note that the backtest of the PD's is excluding the Margin of Conservatism and the TRIM/IMI limitation on PD.

The following table shows the predicted PD of 2023 and shows the actual defaults of calendar year 2023.

CR9 – AIRB approach – Back-testing of PD per exposure class (fixed PD scale) 2023

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)[1]
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Retail - Secured by immovable property non-SME	0.00 to <0.15	147,053	525	0.36%	0.13%	0.12%	0.23%
	0.00 to <0.10	-	-	0.00%	0.00%	0.00%	0.00%
	0.10 to <0.15	147,053	525	0.36%	0.13%	0.12%	0.23%
	0.15 to <0.25	-	-	0.00%	0.00%	0.00%	0.32%
	0.25 to <0.50	95,731	367	0.38%	0.26%	0.25%	0.38%
	0.50 to <0.75	4,663	70	1.50%	0.60%	0.58%	1.10%
	0.75 to <2.50	11,317	91	0.80%	1.49%	1.47%	0.99%
	0.75 to <1.75	10,736	73	0.68%	1.46%	1.43%	0.87%
	1.75 to <2.5	581	18	3.10%	2.27%	2.20%	3.43%
	2.50 to <10.00	3,063	234	7.64%	7.29%	6.36%	7.83%
	2.5 to <5	1,049	46	4.39%	4.06%	3.93%	6.15%
	5 to <10	2,014	188	9.33%	8.14%	7.62%	8.59%
	10.00 to <100.00	1,093	228	20.86%	20.88%	21.51%	19.49%
	10 to <20	818	108	13.20%	14.48%	13.76%	13.18%
	20 to <30	147	54	36.73%	29.35%	28.39%	30.00%
	30.00 to <100.00	128	66	51.56%	65.23%	63.11%	42.67%
	100.00 (Default)	2,320			100.00%	100.00%	

1 5 year average historical default rate.

CR9 – AIRB approach – Back-testing of PD per exposure class (fixed PD scale) 2022

Exposure class	PD range	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)[1]
			Of which number of obligors which defaulted in the year				
a	b	c	d	e	f	g	h
Retail - Secured by immovable property non-SME	0.00 to <0.15	140,748	412	0.29%	0.12%	0.11%	0.17%
	0.00 to <0.10	-	-	0.00%	0.00%	0.00%	0.00%
	0.10 to <0.15	140,748	412	0.29%	0.12%	0.11%	0.17%
	0.15 to <0.25	104,134	403	0.39%	0.00%	0.22%	0.28%
	0.25 to <0.50	-	-	0.00%	0.25%	0.00%	0.00%
	0.50 to <0.75	6,216	65	1.05%	0.58%	0.51%	0.78%
	0.75 to <2.50	1,803	62	3.44%	1.46%	1.27%	2.31%
	0.75 to <1.75	1,222	41	3.36%	1.42%	0.96%	2.15%
	1.75 to <2.5	581	21	3.61%	2.20%	1.92%	3.39%
	2.50 to <10.00	3,395	256	7.54%	7.00%	5.75%	8.68%
	2.5 to <5	992	71	7.16%	3.93%	3.45%	6.62%
	5 to <10	2,403	185	7.70%	7.94%	6.71%	9.59%
	10.00 to <100.00	1,120	206	18.39%	18.55%	19.52%	19.72%
	10 to <20	827	101	12.21%	13.44%	12.29%	13.80%
	20 to <30	148	49	33.11%	28.39%	24.88%	28.70%
	30.00 to <100.00	145	56	38.62%	63.11%	55.31%	41.46%
	100.00 (Default)	2,377			100.00%	100.00%	

1 5 year average historical default rate.

8. Counterparty credit risk

8.1 Qualitative disclosure regarding CCR

METHODOLOGY

Pillar 1 method for counterparty credit risk

We use the Standardised approach for counterparty credit risk (SA-CCR) specified in the CRR. The exposure value under the SA-CCR is calculated as the sum of the current replacement cost (i.e. net of eligible cash variation margin) and potential future exposure.

The simplified method for calculating the exposure value of derivatives according to Article 273a of CRR is not used.

OFFSETTING AND COLLATERAL

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.

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[1] 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[2]. 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 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;

1 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).
2 See also EU Regulation No 648/2012 of the European Parliament and of the Council of 4 July 2012 (Article 2(1)).

- 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.

CREDIT VALUATION ADJUSTMENT
The Credit Valuation Adjustment (CVA) is defined as the risk to losses as a result of a deterioration in credit worthiness of a derivative counterparty.

The market value of derivatives with counterparties is determined based on the underlying value-determining factors, such as interest rates for interest rate swaps. If the credit quality of a counterparty of an interest rate swap deteriorates, a higher interest rate (or credit spread) must be used in the valuation, due to which the valuation changes.

The CRR requires that an RWA be determined for CVA, as a result of a deterioration in the credit quality of the derivative counterparties.

De Volksbank applies the standardised method for determining RWA for CVA in accordance with CRR, article 384.

WRONG-WAY RISK
Wrong-way risk pertains to the unfavourable relation between the creditworthiness of the counterparty and the exposure to the counterparty if the creditworthiness deteriorates and the exposure increases. We distinguish between general wrong-way risk and specific wrong-way risk. General wrong-way risk pertains to situations in which general market conditions or macroeconomic factors are the cause. Examples of this are decreasing interest rates and companies in distress, deteriorating economic conditions. If companies in distress had concluded interest rate swaps with a bank (had hedged the interest rate risk by paying a fixed interest rate and receiving a floating interest rate), the market value (i.e. the exposure) of the swap would rise for the bank in case of falling interest rates. After all, the bank received the fixed interest rate and paid an increasingly lower floating interest rate. Specific wrong-way risk pertains to the situation in which the unfavourable relation is more direct and is actually inherent in (the execution of) the transaction itself. An example of this type of risk is a put option with a bank's stock being the underlying asset, in which the counterparty to the transaction is a subsidiary of the same bank. De Volksbank primarily transacts 'plain-vanilla' interest rate and currency derivative transactions with financial institutions, which are mostly settled centrally at a CCP or fall under ISDA/CSA conditions with daily GC collateral settlement. We thus minimise counterparty credit risk exposure and therefore also any possible wrong-way risk exposure.

OTHER RISK MANAGEMENT OBJECTIVES
Policies are in place to govern counterparty limits and revisions, Asset Liability Committee (ALCO), under precedency of CFO, needs to approve any changes to policy and or parameters. The Credit Committee (CC) approves the counterparty mandates and credit limit revisions.

POTENTIAL COLLATERAL DEPOSIT
In the event of a 3-notch downgrade of the bank's credit rating, we would have to deposit additional collateral totalling € 48 million with counterparties (2022: € 156 million). Due to redeemed funding transactions, the additional collateral requirement is substantially lower than before. We include this potential collateral deposit as an outflow in the LCR and the combined severe liquidity stress test.

8.2 Quantitative disclosure regarding CCR

EU CCR1 – Analysis of CCR exposure by approach 2023[1]

	In € millions	a Replacement cost (RC)	b Potential future exposure (PFE)	c EEPE	d Alpha used for computing regulatory exposure value	e Exposure value pre-CRM	f Exposure value post-CRM	g Exposure value	h RWEA
EU-1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	88	244		1.4	548	465	465	200
4	Financial collateral comprehensive method (for SFTs)					0	0	0	0
6	**Total**					**549**	**465**	**465**	**200**

1 This table excludes all counterparty credit risk exposures cleared through a CCP. Counterparty credit risk exposures cleared through a CCP are included in EU CCR8.

De Volksbank uses the Standardised approach for counterparty credit risk. The simplified method for calculating the exposure value of derivatives according to Article 273a of CRR is not used.

In 2023 RWEA increased relatively more than the exposure value due to higher applicable risk weights.

EU CCR1 – Analysis of CCR exposure by approach 2022[1]

	In € millions	a Replacement cost (RC)	b Potential future exposure (PFE)	c EEPE	d Alpha used for computing regulatory exposure value	e Exposure value pre-CRM	f Exposure value post-CRM	g Exposure value	h RWEA
EU-1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	46	186		1.4	439	325	325	130
4	Financial collateral comprehensive method (for SFTs)					4	4	4	1
6	**Total**					**442**	**329**	**329**	**131**

1 This table excludes all counterparty credit risk exposures cleared through a CCP. Counterparty credit risk exposures cleared through a CCP are included in EU CCR8.

EU CCR2 – Transactions subject to own funds requirements for CVA risk 2023

	in € millions	a Exposure value	b RWEA
1	Total transactions subject to the Advanced method	-	-
4	Transactions subject to the Standardised method	464	60
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**464**	**60**

De Volksbank applies the standardised method for determining RWA for CVA in accordance with CRR, article 384.

EU CCR2 – Transactions subject to own funds requirements for CVA risk 2022

	in € millions	a Exposure value	b RWEA
1	Total transactions subject to the Advanced method	-	-
4	Transactions subject to the Standardised method	324	50
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**324**	**50**

EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights 2023

	in € millions Exposure classes	b 2%	c 4%	e 20%	f 50%	i 100%	l Total exposure value
6	Institutions	343	109	115	243	-	810
7	Corporates	-	-	-	104	3	108
11	**Total exposure value**	**343**	**109**	**115**	**347**	**3**	**918**

In 2023, the exposure value subject to counterparty credit risk increased with higher applicable risk weights.

EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights 2022

	in € millions Exposure classes	b 2%	c 4%	e 20%	f 50%	i 100%	l Total exposure value
6	Institutions	230	124	115	172	-	642
7	Corporates	-	-	-	38	3	41
11	**Total**	**230**	**124**	**115**	**210**	**3**	**683**

EU CCR5 – Composition of collateral for CCR exposures 2023

in € millions	a	b	c	d	h
	Collateral used in derivative transactions				
	Fair value of collateral received		Fair value of posted collateral		
Collateral type	Segregated	Unsegregated	Segregated	Unsegregated	Unsegregated
1 Cash – domestic currency	245	1,291	337	226	-
3 Domestic sovereign debt	-	-	-	-	-
4 Other sovereign debt	-	-	268	63	100
9 Total	**245**	**1,291**	**605**	**296**	**100**

De Volksbank has concluded less SFT exposures resulting in lower posted collateral at year-end 2023. Total cash collateral received decreased in 2023 due to a decrease in the positive current market value of derivatives, which was driven by an decrease in interest rates.

EU CCR5 – Composition of collateral for CCR exposures 2022

in € millions	a	b	c	d	h
	Collateral used in derivative transactions				
	Fair value of collateral received		Fair value of posted collateral		
Collateral type	Segregated	Unsegregated	Segregated	Unsegregated	Unsegregated
1 Cash – domestic currency	738	1,710	612	88	7
3 Domestic sovereign debt	-	-	60	-	-
4 Other sovereign debt	-	-	291	71	225
9 Total	**738**	**1,710**	**964**	**159**	**232**

EU CCR8 – Exposures to CCPs 2023

	in € millions	a Exposure value	b RWEA
1	**Exposures to QCCPs (total)**		**14**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	452	11
3	(i) OTC derivatives	452	11
7	Segregated initial margin	605	
8	Non-segregated initial margin	63	3
11	**Exposures to non-QCCPs (total)**		**-**

Where possible, the bank concludes derivative transactions with financial institutions using clearing via a central counterparty (CCP).

The decrease in seggregated intial margin 2023 is mainly explained by lower posted cash collateral.

EU CCR8 – Exposures to CCPs 2022

	in € millions	a Exposure value	b RWEA
1	**Exposures to QCCPs (total)**		**12**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	354	10
3	(i) OTC derivatives	354	10
7	Segregated initial margin	964	
8	Non-segregated initial margin	71	3
11	**Exposures to non-QCCPs (total)**		**-**

9. Securitisation

9.1 Qualitative disclosure requirements related to securitisation exposures

De Volksbank acts as an originator of and an investor in securitisation positions. As originator, we have securitised part of our residential mortgage loan portfolio to obtain funding and to improve liquidity. As investor, we hold a relatively small portfolio of third-party securitisation notes in our banking book. De Volksbank does not hold any securitisation positions in its trading book.

DE VOLKSBANK AS ORIGINATOR

By the end of 2023, de Volksbank securitised residential mortgages in the amount of € 8.2 billion (2022: € 7.9 billion). We only securitise residential mortgages that we originated. In securitisation transactions, the beneficial and legal title of the residential mortgages is transferred to separate entities, which are referred to as Special Purpose Vehicles (SPVs).

There are three reasons for securitising residential mortgages:

- Funding: securitisation is a funding instrument that broadens and diversifies our funding base;
- Lower capital charges: securitisation of residential mortgages enables us to reduce the risk-weighted assets;
- Liquidity: by securitising residential mortgages we create new assets that is used as collateral.

De Volksbank does not have any re-securitisation activities, nor does it perform securitisation programmes for third parties. We securitise residential mortgages under two different programmes: Pearl and Lowland.
The purpose of the Pearl programme is funding. The Lowland transactions are set up for liquidity purposes.

The senior tranches of Lowland are held for own account and qualify as eligible assets at the European Central Bank. The Pearl and Lowlands transactions outstanding are not designated as STS securitisations.

No synthetic securitisations – transactions in which it is not the assets that are transferred but merely the associated credit risks – were outstanding for de Volksbank in 2023.

An overview of the securitisations originated by de Volksbank and included in the regulatory scope of consolidation as at 31 December 2023 is provided below:

in € millions	Initial principal	Start of securitisation	Book value 2023	2022	First call-option date	Contractual expiration
PEARL Mortgage Backed Securities 1 B.V.	1,014	09-2006	308	356	18-09-2026	18-09-2047
Lowland Mortgage Backed Securities 5 B.V.	5,027	05-2018	--	5,027	18-05-2023	18-05-2055
Lowland Mortgage Backed Securities 6 B.V.	2,500	10-2018	--	2,499	18-10-2023	18-10-2055
Lowland Mortgage Backed Securities 7 B.V.	8,000	04-2023	7,909	--	18-04-2028	18-04-2060
Total			**8,217**	**7,882**		
On own book			-7,987	-7,604		
Total			**230**	**278**		

During 2023, the Lowland 5 and 6 transactions were replaced by Lowland 7 transaction;

There are no legal entities affiliated with de Volksbank that invest in securitisations originated by de Volksbank.

DE VOLKSBANK AS INVESTOR

By the end of 2023, de Volksbank held a portfolio of senior tranches in third-party residential mortgage backed securities of € 117 million (2022: € 70 million). De Volksbank has not invested in re-securitisation positions.

RISKS

In the context of the securitisation programmes where de Volksbank acts as originator, we recognise several types of risk, including credit risk, interest rate risk and liquidity risk.

The credit risk from the securitisation programmes pertains to the possible credit losses on the underlying residential mortgage loans. In the Pearl 1 and Lowland transactions, de Volksbank retains the credit risk of the underlying mortgages in full. In these cases, the underlying mortgages are weighted based on the internal risk model (AIRB).

There is also counterparty risk in respect of counterparties with which risks are hedged in swap transactions. See the explanation of the interest rate risk below, which includes a description of the background of the swap transactions. The credit and counterparty risks are managed in the regular control processes for mortgage loans, counterparty risk and balance sheet management.

De Volksbank holds the interest rate risk of the residential mortgages in the outstanding Pearl transaction securitised by it on the balance sheet. The SPV hedged the interest rate risk of the securitisation with an interest rate swap, which has been executed with a third party. We executed a back-to-back swap with this third party. The interest rate risk of the back-to-back swap is included in the regular process of managing the balance sheet. The Lowland transactions are an exception. These transactions do not include any interest rate swaps, but we still bear the interest rate risk because these notes are on our balance sheet.

The liquidity risk of de Volksbank's own securitisation positions pertains to the possible cash outflow. This has to do with its role of liquidity provider and the possible deposit of cash collateral in the swap transaction. The impact on the liquidity position is included in the regular process of liquidity management. See sections 6.1 Liquidity risk management, 7.1.1 General qualitative information regarding credit risk and 10.2 Interest rate risk not included in the trading portfolio for an explanation of the regular processes for credit-, interest- and liquidity risks.

Where de Volksbank acts as investor, the risks of positions in securitisations of third parties mainly pertain to credit risk of default on the underlying mortgage loans. We are limiting this risk by purchasing tranches of the highest seniority, the so-called A notes, and we are also monitoring the performance of these transactions.

ROLES

De Volksbank plays various roles in its own securitisation programmes. As 'originator' we granted the underlying residential loans. In addition, we are active as 'arranger': we structure the transaction and conduct negotiations with the rating agencies. We coordinate the documentation on the transaction together with our legal advisor. As 'manager' we are co-responsible for placing securities with institutional investors, for which purpose we work together with other financial institutions.

De Volksbank can also (indirectly) act as swap counterparty for the interest rate risk management of the SPV. The SPV executes an interest rate swap with a third party that, in turn, executes a fully offsetting transaction for the swap with us. Consequently, we do not play a role as swap counterparty in the swap transactions of the SPV itself. The Lowland securitisation programme does not comprise swaps.

As 'servicer' we are responsible for the daily operational management of the underlying residential mortgages. We set up a foundation that is in charge of collecting the principal and interest payments: 'Stichting Hypotheken Incasso'. The foundation is responsible for the collection of the various mortgage payments and transfers these amounts to the relevant SPVs.

Our support of the securitisation programmes does not extend beyond our contractual obligations, nor do we act as a programme sponsor.

Following table shows the roles that de Volksbank plays in the different securitisation programmes.

Roles in securitisation programmes

Programme name	Originator	Arranger	Manager	Servicer	Swap CP (indirect)
Pearl	x	x	x	x	x
Lowland	x	x	x	x	

POLICY & PROCESSES

Risk management is applied on the residential mortgage loans in the securitisation programmes. The interest rate and liquidity risks of these mortgage loans fall under the regular process for balance sheet management. See also section 10.2 Interest rate risk not included in the trading portfolio of this report, where we explain the interest rate risk outside the trading book.

The credit risk is included in the regular process for monitoring mortgage loans. This process does not distinguish between securitisation positions issued or retained. That is why we do not pursue separate policies to hedge the risks relating to (retained) securitisation positions.

De Volksbank Financial Markets conducts the operational management of the retained (unsold) or purchased securitisation positions within the mandate set by the ExCo.

The interests in securitisation positions of third parties are part of the investments by de Volksbank. Within the powers delegated to it, de Volksbank Financial Markets is free to take positions and manage the risks of these investments.

ACCOUNTING POLICY FOR SECURITISATION

We do not have a separate loan book containing loans that may still be securitised. For each securitisation transaction, loans to be securitised are selected from the total pool of eligible loans. Partly for that reason, we do not have a different accounting policy or classification for loans that may be eligible for future securitisation transactions. In the securitisation transactions we initiated, we transferred the underlying loans to separate SPVs at nominal value. Our economic interest in the SPVs is expressed in several ways. First of all, in most SPVs we have a large or significant direct position in the notes issued by the SPV. The size of these positions differs for each securitisation programme and may also differ in each SPV within the various programmes. Furthermore, the securitisations entitle us to a deferred selling price that is not obtained until the SPV generates positive results during the transaction.

This economic connection in combination with the other IFRS criteria shows that de Volksbank must be considered the entity that controls the SPVs. That is why we fully consolidate the SPVs in our consolidated financial statements. On de Volksbank's consolidated balance sheet, the securitisation positions of securitisations we initiated are limited to the SPVs' monetary balances and the derivative transactions that the SPVs concluded with third parties. These securitisation positions are measured on the balance sheet at amortised cost and fair value, respectively. The consolidated balance sheet also shows securitisation positions in which we are the investor. These are positions in notes issued by these SPVs. These notes are classified as part of the investments and are measured at fair value, with gains and losses being recognised directly in equity.

RATING AGENCIES

De Volksbank obtained credit ratings from the main credit rating agencies for its residential mortgage loans securitisations. The table below shows which credit ratings are issued by the rating agencies for the securitisation programmes active at year-end 2023.

Credit ratings securitisation programmes

Programme name	Moody's	Fitch
Pearl 1	x	x
Lowland 7	x	x

REGULATORY TREATMENT FOR SECURITISATION

The regulatory scope of consolidation is the same as the IFRS scope of consolidation. For securitisations where de Volksbank acts as originator and no significant transfer of credit risk has occurred, the risk-weighted exposure is calculated for the underlying securitised mortgage loans using the internally developed AIRB model PHIRM. There is no significant transfer of credit risk for the Pearl and Lowland transactions.

For our investment in third-party securitisation positions we follow the hierarchy of RWA calculation approaches pursuant to CRR article 242 to 270e. Three RWA calculation approaches are distinguished: Internal Ratings-Based Approach (SEC-IRBA), Standardised approach (SEC-SA) and External Ratings-Based Approach (SEC-ERBA). We do not make use of the option provided for in CRR article 254 (3) to apply the SEC-ERBA instead of the SEC-SA to all securitisation positions for which an external credit rating is available or for positions in respect of which an inferred rating may be used. Following the prescribed hierarchy our third-party securitisation positions are risk weighted by the standardised approach (SEC-SA) as of the end of 2023. The new framework also introduces a specific framework for Simple, Transparent and Standardised (STS) securitisations. Under all approaches in the hierarchy, the risk weight for STS-compliant securitisations is subject to a preferential treatment. To determine regulatory capital under the SEC-ERBA, de Volksbank uses the following External Credit Assessment Institutions (ECAIs): Fitch Ratings, Moodys Investor Service and Standard & Poor's Rating Services.

As de Volksbank does not have any positions in an ABCP programme or ABCP transaction, there are no securitisation positions subject to the Internal Assessment Approach at the end of 2023.

9.2 Securitisation exposures

The tables below show explanatory figures pertaining to the securitised residential mortgages. These are exposures in the banking book. De Volksbank does not hold any securitisation positions in the trading portfolio.

The tables present, if applicable, the outstanding nominal values of de Volksbank's own securitisation programmes plus the investment positions in third-party securitisations. De Volksbank's own securitisation programmes decreased as a result of regular redemptions in the programmes.

EU-SEC1 - Securitisation exposures in the non-trading book 2023

		a	b	c	d	e	f	g	l	m	n	o
		Institution acts as originator							Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS			of which SRT		STS	Non-STS		
	In € millions		of which SRT		of which SRT							
1	**Total exposures**	**-**	**-**	**8,078**	**-**	**-**	**-**	**8,078**	**117**	**-**	**-**	**117**
2	Retail (total)	-	-	8,078	-	-	-	8,078	117	-	-	117
3	Residential mortgage	-	-	8,078	-	-	-	8,078	117	-	-	117
7	Wholesale (total)	-	-	-	-	-	-	-	-	-	-	-

Total exposures where de Volksbank acts as originator has increased due to the call of the Lowland Mortgage Backed Securities (Lowland) 5 transaction in May 2023 and the call of Lowland Mortgage Backed Securities (Lowland) 6 transaction in October 2023 and the replacement by the Lowland Mortgage Backed Securities (Lowland) 7 transaction.

EU-SEC1 - Securitisation exposures in the non-trading book 2022

		a	b	c	d	e	f	g	l	m	n	o
		Institution acts as originator							Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS			of which SRT		STS	Non-STS		
	In € millions		of which SRT		of which SRT							
1	**Total exposures**	**-**	**-**	**7,604**	**-**	**-**	**-**	**7,604**	**61**	**9**	**-**	**70**
2	Retail (total)	-	-	7,604	-	-	-	7,604	61	9	-	70
3	Residential mortgage	-	-	7,604	-	-	-	7,604	61	9	-	70
7	Wholesale (total)	-	-	-	-	-	-	-	-	-	-	-

EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor 2023

	a	b	f	g	h	j	k	l	n	o	EU-p
	Exposure values (by RW bands/deductions)		Exposure values (by regulatory approach)			RWEA (by regulatory approach)			Capital charge after cap		
In € millions	≤20% RW	>20% to 50% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA
1 **Total exposures**	**109**	**8**	**-**	**-**	**117**	**-**	**-**	**13**	**-**	**-**	**1**
2 Traditional securitisation	109	8	-	-	117	-	-	13	-	-	1
3 Securitisation	109	8	-	-	117	-	-	13	-	-	1
4 Retail underlying	109	8	-	-	117	-	-	13	-	-	1
5 Of which STS	109	8	-	-	117	-	-	13	-	-	1
9 Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-

At year-end 2023 SEC-SA was above 25% risk weight for one of the securitisations. Therefore, Article 254(2) CRR was applicable for part of the securitisations. The total on-balance sheet securitisation exposure rose to € 117 million, from € 70 million at year-end 2022.

EU-SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor 2022

	a	b	f	g	h	j	k	l	n	o	EU-p
	Exposure values (by RW bands/deductions)		Exposure values (by regulatory approach)			RWEA (by regulatory approach)			Capital charge after cap		
In € millions	≤20% RW	>20% to 50% RW	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA
1 **Total exposures**	**46**	**24**	**-**	**-**	**70**	**-**	**-**	**13**	**-**	**-**	**1**
2 Traditional securitisation	46	24	-	-	70	-	-	13	-	-	1
3 Securitisation	46	24	-	-	70	-	-	13	-	-	1
4 Retail underlying	46	24	-	-	70	-	-	13	-	-	1
5 Of which STS	46	15	-	-	61	-	-	11	-	-	1
9 Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-

EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments 2023

In € millions	a	b	c
	Exposures securitised by the institution - Institution acts as originator or as sponsor		
	Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
		Of which exposures in default	
1 **Total exposures**	**8,307**	**2**	**1**
2 Retail (total)	8,307	2	1
3 Residential mortgage	8,307	2	1
7 Wholesale (total)	-	-	-

Total exposures where de Volksbank acts as originator has increased due to the call of the Lowland Mortgage Backed Securities (Lowland) 5 and 6 transaction in May 2023 and October 2023 and the replacement by the Lowland Mortgage Backed Securities (Lowland) 7 transaction.

EU-SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments 2022

In € millions	a	b	c
	Exposures securitised by the institution - Institution acts as originator or as sponsor		
	Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
		Of which exposures in default	
1 **Total exposures**	**7,882**	**10**	**2**
2 Retail (total)	7,882	10	2
3 Residential mortgage	7,882	10	2
7 Wholesale (total)	-	-	-

10. Market risk

10.1 Market risk qualitative disclosure

We use the standardised approach in CRD IV to calculate capital requirements for the trading book. The model covers interest rate risk and equity risk and is based on fixed risk weights.

EU-MR1 - Market risk under the Standardised approach 2023

	In € millions	a RWEAs 31-12-2023	a RWEAs 31-12-2022
	Outright products		
1	Interest rate risk (general and specific)	193	236
9	**Total**	**193**	**236**

At year-end 2023 RWA for market risk stood at € 193 million (year-end 2022 € 236 million). Market risk from cash management activities, for which its interest rate risk is internally transferred to the trading book, has decreased compared to YE 2022, resulting in a lower Risk Weighted Assets for market risk in the Trading Book.

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).

During 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 carried out continuously and reported 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 falls 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), 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 is 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 Monte Carlo simulations in which the 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 Monte Carlo simulations, currency risk is managed by monitoring FX limits on a daily basis.

10.2 Interest rate risk not included in the trading portfolio

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 risk in the banking book (IRRBB) we take the following 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. This is supplemented by the Fair Value (FV) perspective to measure and manage the potential risk of P&L and equity items that are susceptible to changes in their market price.

All three perspectives are covered in internal reporting on the banking book's interest rate risk, which occurs on a monthly basis, as well as in stress testing and economic capital calculations. Limit-setting takes place in line with the bank's risk appetite.

Steering of the different perspective occurs through dynamic hedging. Offsetting asset and liabilities are targeted as natural hedges where desired and possible. Interest rate swaps and non-linear derivatives are used to further steer the balance sheet to the desired interest rate risk profile, preferably through fair value or cash flow hedge accounting, but incidentally using economic hedges that entail direct P&L impact.

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

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 in managing the potential risk of realizing losses not reflected in the book value of these items, should a sale occur under stressed credit spreads.

Key assumptions for modelling customer behaviour from an interest rate risk perspective the following customer options are relevant:

- Customers have the option to fully or partially prepay mortgages before maturity. Typical examples of prepayments are when someone moves house, early renews a mortgage rate, or changes bank. A model is used to accurately estimate the probability of a mortgage prepaying in a certain month, given its loan characteristics and macro-economic circumstances. Important drivers are the number of houses being sold and the interest rate incentive for the customer e.g. is it beneficial given current mortgage rates to prepay.
- Customers have the option during the application process of a mortgage to accept or reject an offer from the bank. The bank commits itself several months to a client rate without firm commitment from the customer. Historical data is used to estimate the probability of clients accepting a mortgage, as well as the period until the mortgage is activated.
- Customers have the option to withdraw its balance on savings and/or current accounts without notice. The future client rate on these products is modelled using a replicating portfolio model. Important drivers are the historic development of yield curves, liquidity spread and client rates. A maximum maturity of 10 years is assumed for savings accounts and 15 years for current accounts. The average duration for the whole Non Maturing Deposits (NMD) portfolio is around 2.5, well below the regulatory cap of 5 year.

Credit spread risk

At year-end 2023, the credit spread risk for Hold to Collect and Sale (HTCS) and Hold to Collect (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 greater size of this portfolio. For the HTC portfolio, the strong decrease is almost completely explained by a methodological change to remove accounting effects in the metric, in order to isolate the inherent credit spread risk.

MARKET RISK EXPOSURE TRADING 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 trading and non-trading risk

	Carrying amount	Market risk measure		Carrying amount	Market risk measure		Primary risk sensitivity
		Non-trading	Trading		Non-trading	Trading	
in € millions	2023	2023	2023	2022	2022	2022	
Assets subject to market risk							
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	--	
Total assets	**71,060**	**70,598**	**462**	**73,168**	**72,788**	**380**	
Liabilities subject to market risk							
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	--	
Total liabilities	**71,060**	**70,524**	**536**	**73,168**	**72,618**	**550**	

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).

INTEREST RATE RISK BANKING BOOK

A short description of the six supervisory shock scenarios referred to in table EU IRRBB1 below:

1. parallel shock up, where there is a parallel upward shift of the yield curve with the same positive interest rate shock for all maturities;
2. parallel shock down, where there is a parallel downward shift of the yield curve with the same negative interest rate shock for all maturities;
3. steepened shock, where there is a steepening shift of the yield curve, with negative interest rate shocks for shorter maturities and positive interest rate shocks for longer maturities;

4. flattener shock, where there is a flattening shift of the yield curve, with positive interest rate shocks for shorter maturities and negative interest rate shocks for longer maturities;
5. short rates shock up, with larger positive interest rate shocks for shorter maturities to converge with the baseline for longer maturities; and
6. short rates shock down, with larger negative interest rate shocks for shorter maturities to converge with the baseline for longer maturities.

EU IRRBB1 - Interest rate risks of non-trading book activities 2023

Supervisory shock scenarios	a	b	c	d
In € millions	Changes of the economic value of equity		Changes of the net interest income	
	Current period	Last period	Current period	Last period
	31-12-2023	30-6-2023	31-12-2023	30-6-2023
1 Parallel up	-148	-215	174	208
2 Parallel down	-328	-245	-196	-221
3 Steepener	-122	-246		
4 Flattener	50	295		
5 Short rates up	75	290		
6 Short rates down	-82	-167		

The table above contains the change of economic value under six supervisory shock scenarios, as well as the change in Net Interest Income (NII) under the parallel up and parallel down scenario. For the calculation of the NII, the most recent business forecast has been used. The parallel up and down scenarios are calculated as a 200 bps instantaneous interest rate shock.

Economic Value of Equity
The scenario with the largest negative outcome is the parallel down scenario. This scenario has a negative impact on the economic value of equity of € 328 million (half-year 2023: € -245 million). This is mainly caused by the interest rate sensitivity of the mortgage portfolio, which is largely, but not fully hedged.

Net interest income
The parallel up scenario has a positive impact on net interest income of € 174 million (half-year 2023: € 208 million), The parallel down scenario has a negative impact of € 196 million (half-year 2023: € -221 million), The NII sensitivity to interest rate shocks is actively decreased, as well as there are changes in business assumptions.

11. Operational risk

11.1 Operational (non-financial) risk qualitative disclosure

CAPITAL REQUIREMENTS

De Volksbank calculates the capital requirements for operational risk according to the standardised approach, in which all activities are divided into eight standardised business lines: corporate finance, trading & sales, retail banking, commercial banking, payment & settlement, agency services, asset management and retail brokerage. At year-end 2023, the Pillar 1 capital requirements were € 136 million for the operational risks (2022: € 114 million).

The total capital requirement for operational risks is calculated as the sum of the capital requirements for each of the business lines. The total capital is calculated as the 3-year average of the sum of the statutory capital costs for each of the divisions. The capital requirement for each business line equals the beta coefficient multiplied by gross income. The beta coefficients differ between business lines and are 12%, 15% or 18%. The capital requirement calculated on a yearly basis constitutes input for the Internal Capital Adequacy Assessment Process (ICAAP).

RISK MANAGEMENT APPROACH

The Executive Committee (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, while for some risk types a dedicated risk committee is in place, e.g. the Model Governance Committee (MGC) and the Client Integrity Risk Committee (CIRC). Overall, the operational risk score is outside the risk appetite. We have setup and are executing dedicated 'Path to Green' programmes for relevant operational risk types to return to within our risk appetite.

For more information, please refer to section 4.3 Operational risks of the Integrated Annual Report.

11.2 Operational risk quantitative disclosure

EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts 2023

	Banking activities	a	b	c	d	e
	In € millions	Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	828	965	1,414	136	1,695
3	*Subject to TSA:*	828	965	1,414		
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

The increase in the relevant indicator last year compared to the previous year is mainly due to higher results in the business lines Retail Banking, Commercial Banking and Payment & Settlement.

11.3 Types of risk and areas of focus

11.3.1 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[1] 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[2], facilitated the ongoing internal dialogue on insider threat and participated in external collaboration on this topic and will continue to do so.

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[1] Consequences may be: a reprimand, training obligation or professional ban up to three years.

[2] 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.

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 changes in internal document collecting processes to assess mortgage and credit loans to mitigate these risks. Moreover, we engaged in dialoague 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.

11.3.2 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.

11.3.3 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, incompliant, 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.

12. Remuneration policy

12.1 Qualitative information regarding remuneration policy

SCOPE
De Volksbank is a financial services provider engaged in banking, with a particular focus on the Dutch market. The Pillar 3 Remuneration Report focuses entirely on the remuneration of de Volksbank's Identified Staff. Identified Staff is the group of employees with a material impact on de Volksbank's risk profile. In this report, Identified Staff is divided into the following groups:

1. Management Board Supervisory function (Supervisory Board)
2. Management Board Management function (Executive Committee)
3. Other senior management (reporting to the Executive Committee)
4. Other Identified Staff

Identified Staff of de Volksbank is not a homogeneous group; these staff members are spread across the organisation and comprise members of the Supervisory Board, Executive Committee, a part of the directors and some employees falling within the scope of the collective agreement. The latter category includes, for example, employees with voting rights on a risk committee.

In this report, total fixed remuneration includes: 12 times the fixed monthly salary, holiday pay, fixed 13th month and allowances that are regarded as fixed income. De Volksbank has no variable remuneration schemes.

STARTING POINTS
As the mission of de Volksbank is 'Banking with a human touch', it is only natural that we also 'put the human touch' into rewarding our employees. In determining our remuneration policy and the actual remuneration, we take account of our stakeholders, i.e. our customers, society, our employees and the shareholder. We like to keep it straightforward and want to show that our strategy enables us to attract and retain talented employees, without offering them higher pay than the industry average. Employees are rewarded equally in equal situations: differences in, for example, gender or ethnicity have no impact on remuneration and/or appreciation. The remuneration of the Executive Committee is in reasonable proportion to the salaries of our employees and to the average remuneration in the Netherlands. We do not consider variable remuneration linked to performance agreements to be in keeping with the social character of our bank and, for that reason, do not award any variable pay.

RESPONSIBILITIES
The Executive Committee is responsible for the remuneration policy of directors and other employees of de Volksbank. The Executive Committee has the discretionary power to deviate from the established remuneration policy with reasons in exceptional situations, insofar as this is permitted by laws and regulations. In this case, approval will be requested from the Supervisory Board for employees outside the scope of the collective agreement.

The Supervisory Board adopts the Remuneration Report and is responsible for the implementation and evaluation of the remuneration policy for the members of the Executive Committee. The Supervisory Board approves the remuneration policy for directors as proposed by the Executive Committee and supervises its implementation. The Supervisory Board is also responsible for approving the outlines of the remuneration policy as proposed by the Executive Committee for the other employees of de Volksbank.

The Supervisory Board discusses material retention, sign-on and severance payments and sees to it that any such payments are in keeping with de Volksbank's established remuneration policy and are not excessive. The Supervisory Board directly supervises the remuneration of the Directors with ultimate responsibility for the departments Risk, Compliance and Audit. The Supervisory Board does so on the basis of the Annual Remuneration Policy Review Report drawn up by the Remuneration Working Group.

The People and Organisation Committee of the Supervisory Board has, where applicable, prepared the decision-making for the Supervisory Board on subjects relating to the both the employees of de Volksbank and the organisation. In 2023, the People and Organisation Committee met six times. At year-end 2023, the People and Organisation Committee consisted of three members of the Supervisory Board, namely: Jeanine Helthuis (Chair), Gerard van Olphen and Aloys Kregting.

In 2023, Willis Towers Watson, a global consulting firm, conducted a benchmark of the remuneration of the Executive Committee and directors. The outcome of the benchmark gave no reason to adjust the remuneration policy.

GOVERNANCE
The implementation of the remuneration policy is the responsibility of line management in collaboration with P&O. The Remuneration Working Group comprises representatives from Risk, Compliance, Legal Affairs, Finance and P&O who supervise the greatest remuneration policy implementation risks and provide risk management and policy-related advice. The Remuneration Working Group carries out a remuneration risk analysis and a review of the remuneration policy and its implementation every year in preparation for Supervisory Board discussion.

De Volksbank uses key performance indicators (KPIs). The KPIs of the Executive Committee are derived from de Volksbank's long-term goals and contribute to the long-term value creation for all stakeholders. These KPIs are drawn up annually and set by the Supervisory Board. The KPIs are input for directors and all other employees, so that everyone contributes to achieving de Volksbank's long-term goals. KPIs are not linked to variable remuneration as de Volksbank does not award any. An audit is performed on the cascading of the Executive Committee KPIs to the functions that report to the Executive Committee.

For more information about the compensation of the Executive Committee and the Supervisory Board and also about the performance see section 3.4 Remuneration Report in the IAR 2023.

12.2 Quantitative information regarding remuneration policy

EU REM1 - Remuneration awarded for the financial year 2023

		in € thousands	a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
1		Number of identified staff	5	6	25	28
2	Fixed remuneration	**Total fixed remuneration**	**236**	**2,712**	**5,893**	**3,902**
3	Fixed remuneration	Of which: cash-based	236	2,712	5,893	3,902
EU-4a	Fixed remuneration	Of which: shares or equivalent ownership interests	-	-	-	-
5	Fixed remuneration	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x	Fixed remuneration	Of which: other instruments	-	-	-	-
7	Fixed remuneration	Of which: other forms	-	-	-	-
9		Number of identified staff	-	-	-	-
10	Variable remuneration	**Total variable remuneration**	**-**	**-**	**-**	**-**
11	Variable remuneration	Of which: cash-based	-	-	-	-
12	Variable remuneration	Of which: deferred	-	-	-	-
EU-13a	Variable remuneration	Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a	Variable remuneration	Of which: deferred	-	-	-	-
EU-13b	Variable remuneration	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b	Variable remuneration	Of which: deferred	-	-	-	-
EU-14x	Variable remuneration	Of which: other instruments	-	-	-	-
EU-14y	Variable remuneration	Of which: deferred	-	-	-	-
15	Variable remuneration	Of which: other forms	-	-	-	-
16	Variable remuneration	Of which: deferred	-	-	-	-
17		**Total remuneration (2 + 10)**	**236**	**2,712**	**5,893**	**3,902**

The table above includes information on the remuneration awarded to staff whose professional activities have a material impact on the risk profile of de Volksbank (identified staff).

EU REM1 - Remuneration awarded for the financial year 2022

		in € thousands	a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
1		Number of identified staff	5	7	28	29
2	Fixed remuneration	**Total fixed remuneration**	**218**	**1,857**	**5,095**	**3,056**
3	Fixed remuneration	Of which: cash-based	218	1,857	5,095	3,056
EU-4a	Fixed remuneration	Of which: shares or equivalent ownership interests	-	-	-	-
5	Fixed remuneration	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x	Fixed remuneration	Of which: other instruments	-	-	-	-
7	Fixed remuneration	Of which: other forms	-	-	-	-
9		Number of identified staff	-	-	-	-
10	Variable remuneration	**Total variable remuneration**	-	-	-	-
11	Variable remuneration	Of which: cash-based	-	-	-	-
12	Variable remuneration	Of which: deferred	-	-	-	-
EU-13a	Variable remuneration	Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a	Variable remuneration	Of which: deferred	-	-	-	-
EU-13b	Variable remuneration	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b	Variable remuneration	Of which: deferred	-	-	-	-
EU-14x	Variable remuneration	Of which: other instruments	-	-	-	-
EU-14y	Variable remuneration	Of which: deferred	-	-	-	-
15	Variable remuneration	Of which: other forms	-	-	-	-
16	Variable remuneration	Of which: deferred	-	-	-	-
17		**Total remuneration (2 + 10)**	**218**	**1,857**	**5,095**	**3,056**

EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) 2023

	In € thousands	a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	1	1	-
7	Severance payments awarded during the financial year - Total amount	-	129	170	-
8	Of which paid during the financial year	-		-	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	129	170	-

EU REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff) 2022

	In € thousands	a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	5	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	861	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	1	-	1
7	Severance payments awarded during the financial year - Total amount	-	280[1]	-	237
8	Of which paid during the financial year	-	280[1]	-	237
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	280[1]	-	237

1 Severance pay awarded by the court to a former member of the Board of Directors

EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) 2023

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
	In € thousands	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	**Total number of identified staff**										**64**
2	Of which: members of the MB	5	6	11							
3	Of which: other senior management				2	10	-	10	3	-	
4	Of which: other identified staff				5	2	4	4	13	-	
5	**Total remuneration of identified staff**	**236**	**2,712**	**2,948**	**1,175**	**2,997**	**542**	**2,652**	**2,429**	**-**	
6	Of which: variable remuneration	-	-	-	-	-	-	-	-	-	
7	Of which: fixed remuneration	236	2,712	2,948	1,175	2,997	542	2,652	2,429	-	

EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) 2022

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
	In € thousands	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	**Total number of identified staff**										**69**
2	Of which: members of the MB	5	7	12							
3	Of which: other senior management				1	10	-	11	6	-	
4	Of which: other identified staff				1	2	4	3	19	-	
5	**Total remuneration of identified staff**	**218**	**1,857**	**2,074**	**647**	**2,253**	**373**	**2,161**	**2,717**	**-**	
6	Of which: variable remuneration	-	-	-	-	-	-	-	-	-	
7	Of which: fixed remuneration	218	1,857	2,074	647	2,253	373	2,161	2,717	-	

13. Sustainability Risk

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;
- 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

Sustainability risk and sub-risk types

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.

13.1 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.

13.2 Areas of focus and activities

Overview of material[1] risks as identified in the ESG risk assessment[2]

	PHYSICAL RISK		TRANSITION RISK[3]	
ESG Risk driver	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
Impacted risk types[4]	Credit & business risk	Credit risk	Credit, business, compliance, reputational risk	Compliance & reputational risk
Time horizon	Short, medium & long term	Long term	Short, medium & long term	Short, medium & long term
Transmission channels	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
Impact description	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.

1 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.
2 The table illustrates ESG risk drivers, impacted risk types, transmission channels and potential impacts on de Volksbank in the short, medium and long term.
3 Physical risks relate only to environmental risks, whereas transition risks relate to environmental, social and governance risks.
4 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 (≤ 1 year)
- Medium term (1 ≤ 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 deacceleration 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.

13.3 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 impact of ESG events on macroeconomic variables is considered in the periodic update of the macroeconomic scenarios. Based on the expertise of its members, the Scenario Expert Group challenges the macroeconomic scenarios as proposed by the macroeconomists.

13.4 ESG risks qualitative disclosures

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[1]	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

1 See Section 2.2.2 Responsible investment and financing for more information.

Current and future investment activities

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.

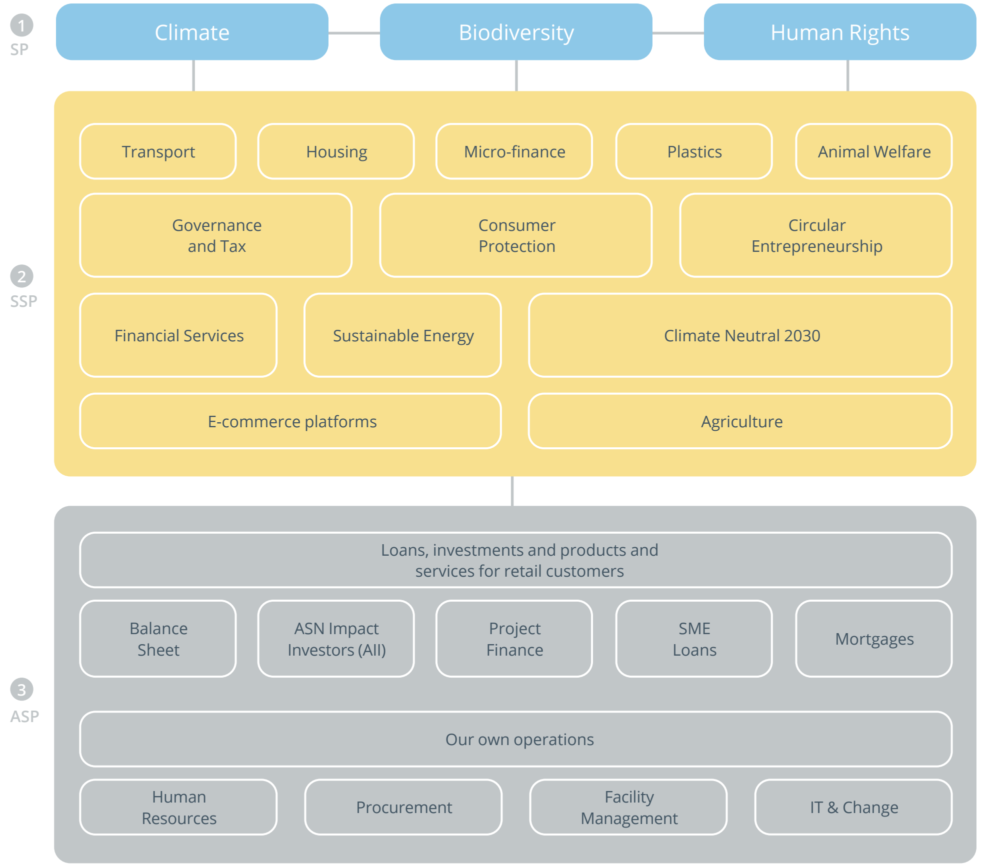
Regarding future investments, we expect the EU Taxonomy Regulation KPI scores to improve on the back of achieving our climate-neutrality goal, Science Based Targets, Climate Action Plan goals and by pursuing our sustainability policies. We will continue to engage with retail mortgage customers and project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

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



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.

13.5 ESG risks quantitative disclosures

For year-end 2023 banks are obligated to disclose quantitative templates 1 to 8 and template 10, and the qualitative disclosures reported in section 13.4 ESG risks qualitative disclosures. For templates 1 to 5 and template 10, which we reported already for year-end 2022, we include the comparative information from the 2022 report. We report templates 6 to 8 for the first time for year-end 2023. Template 9 will apply from December 2024.

Each template has a different purpose for providing information and can be categorised. The categories are climate change transition risk (templates 1 to 4), climate change physical risk (template 5), and mitigating action (templates 6 to 10). The mitigating action templates include the Green Asset Ratio (templates 6 to 8), Banking book Taxonomy Alignment Ratio (template 9) and other mitigating actions (template 10). The climate risk templates' purpose is to show how climate change may exacerbate other risks within banks' balance sheets, whether it be the risk of stranded carbon intensive assets or loans to property within a flood plain. The mitigating action templates' purpose is to show what mitigating actions banks have in place to address those risks, including financing activities that reduce carbon emissions. Specifically, the Green Asset Ratio and Banking book Taxonomy Alignment Ratio templates' purpose is to show how institutions are financing activities that will meet the publicly agreed Paris agreement objectives of climate change mitigation and adaptation based on the EU taxonomy of green activities. The Banking book Taxonomy Alignment Ratio will be reported on template 9, as per December 2024.

The purpose of the qualitative disclosures in section 13.4 ESG risks qualitative disclosures is to describe de Volksbank's ESG strategies, governance and risk management arrangements with regard to ESG risks.

Template 1: Banking book- Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity 31-12-2023

	Sector/subsector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	In € millions	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions[1]		% of the portfolio derived from company-specific reporting	<= 5 yrs	> 5 yr <= 10 yrs	> 10 yr <= 20 yrs	> 20 yrs	Average weighted maturity[2]
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks[3]	Of which environmentally sustainable (CCM)	Of which stage 2	Of which non-performing		Of which Stage 2	Of which non-performing		Of which Scope 3 financed emissions						
1	**Exposures towards sectors that highly contribute to climate change[4]**	**1,485**	**33**	**54**	**46**	**49**	**-39**	**-3**	**-34**	**74,147**	**54,297**	**29.87%**	**277**	**503**	**690**	**16**	**10**
2	A - Agriculture, forestry and fishing	1	-	-	-	-	-0	-	-	133	0	0.00%	-	-	1	0	12
9	C - Manufacturing	130	33	1	3	5	-2	-0	-2	51,598	48,699	79.69%	51	66	9	4	7
10	*C.10 - Manufacture of food products*	33	33	-	-	-	-0	-	-	25,618	25,282	98.03%	6	27	0	0	6
11	*C.11 - Manufacture of beverages*	0	-	-	-	-	-	-	-	0	0	0.00%	-	-	-	0	21
13	*C.13 - Manufacture of textiles*	1	-	-	-	1	-0	-	-0	69	27	0.00%	-	-	1	0	17
14	*C.14 - Manufacture of wearing apparel*	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	1	-	-	1	-	-0	-0	-	42	4	0.00%	-	-	1	0	18
17	*C.17 - Manufacture of pulp, paper and paperboard*	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
18	*C.18 - Printing and service activities related to printing*	0	-	-	-	-	-0	-	-	3	-	0.00%	-	-	0	-	15
20	*C.20 - Production of chemicals*	1	-	-	-	-	-0	-	-	91	90	100.00%	1	-	-	-	0
22	*C.22 - Manufacture of rubber products*	0	-	-	0	-	-0	-0	-	15	0	0.00%	-	-	0	0	18
23	*C.23 - Manufacture of other non-metallic mineral products*	2	-	-	-	-	-0	-	-	1,611	0	0.00%	-	1	1	0	14
24	*C.24 - Manufacture of basic metals*	0	-	-	-	-	-	-	-	-	-	0.00%	-	-	-	0	21
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	4	-	-	2	0	-0	-0	-	320	149	0.00%	1	0	2	0	11
26	*C.26 - Manufacture of computer, electronic and optical products*	0	-	-	-	-	-	-	-	0	0	0.00%	-	-	-	0	21
27	*C.27 - Manufacture of electrical equipment*	80	-	1	-	-	-0	-	-	23,709	23,096	86.76%	43	37	-	-	5
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	1	-	-	-	-	-0	-	-	26	17	0.00%	-	-	1	0	15
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	0	-	-	-	-	-	-	-	-	-	0.00%	-	-	-	0	21
31	*C.31 - Manufacture of furniture*	2	-	-	0	0	-0	-0	-0	58	17	0.00%	-	1	1	0	15
32	*C.32 - Other manufacturing*	1	-	-	-	-	-0	-	-	0	0	0.00%	-	-	1	0	10
33	*C.33 - Repair and installation of machinery and equipment*	4	-	-	0	4	-2	-0	-2	12	1	0.00%	-	0	1	3	20

	Sector/subsector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	In € millions	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions[1]		% of the portfolio derived from company-specific reporting	<= 5 yrs	> 5 yr <= 10 yrs	> 10 yr <= 20 yrs	> 20 yrs	Average weighted maturity[2]
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks[3]	Of which environmentally sustainable (CCM)	Of which stage 2	Of which non-performing		Of which Stage 2	Of which non-performing		Of which Scope 3 financed emissions						
34	D - Electricity, gas, steam and air conditioning supply	837	-	29	14	38	-32	-0	-31	8,840	1,412	5.00%	63	234	540	0	11
35	*D35.1 - Electric power generation, transmission and distribution*	835	-	29	14	38	-32	-0	-31	8,840	1,412	5.01%	63	234	538	0	11
36	*D35.11 - Production of electricity*	698	-	-	11	38	-32	-0	-31	4,375	0	0.00%	48	202	449	0	11
38	*D35.3 - Steam and air conditioning supply*	2	-	-	-	-	-0	-	-	-	-	0.00%	-	-	2	-	14
39	E - Water supply; sewerage, waste management and remediation activities	0	-	-	-	-	-	-	-	-	-	0.00%	-	-	-	0	21
40	F - Construction	74	-	19	2	1	-1	-0	-0	1,209	411	37.38%	38	2	27	6	10
41	*F.41 - Construction of buildings*	19	-	-	1	1	-0	-0	-0	435	128	0.00%	6	0	13	0	13
42	*F.42 - Civil engineering*	1	-	-	0	0	-0	-0	-0	69	40	0.00%	0	-	1	0	17
43	*F.43 - Specialised construction activities*	54	-	19	1	0	-0	-0	-0	705	243	51.53%	33	2	13	6	8
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	97	0	-	5	1	-1	-0	-0	6,211	1,991	62.33%	33	35	28	2	9
45	H - Transportation and storage	65	0	-	0	0	-0	-0	-0	1,190	683	94.67%	15	47	2	0	7
46	*H.49 - Land transport and transport via pipelines*	58	-	-	0	-	-0	-0	-	1,029	645	96.65%	15	41	1	0	7
47	*H.50 - Water transport*	0	0	-	0	-	-0	-0	-	33	16	0.00%	0	-	-	0	17
49	*H.52 - Warehousing and support activities for transportation*	7	-	-	-	0	-0	-	-0	127	22	82.87%	-	6	1	0	9
50	*H.53 - Postal and courier activities*	0	-	-	-	-	-0	-	-	1	0	0.00%	-	0	0	0	18
51	I - Accommodation and food service activities	4	-	-	1	1	-0	-0	-0	47	21	0.00%	1	1	1	0	11
52	L - Real estate activities	278	-	4	22	4	-3	-2	-0	4,919	1,080	5.40%	76	118	81	3	9
53	**Exposures towards sectors other than those that highly contribute to climate change[4]**	**7,137**	**35**	**56**	**86**	**9**	**-16**	**-3**	**-2**				**5,159**	**829**	**417**	**733**	**5**
54	K - Financial and insurance activities	6,775	35	56	45	4	-13	-2	-1				5,045	734	273	723	5
55	Exposures to other sectors (NACE codes J, M - U)	363	-	0	42	4	-3	-1	-1				114	95	143	10	10
56	**TOTAL**	8,622	68	110	133	58	**-55**	**-6**	**-36**	**74,147**	**54,297**	**29.87%**	**5,436**	**1,332**	**1,107**	**748**	**6**

1 Scope 1, scope 2 and scope 3 emissions of the counterparty (in tons of CO2 equivalent)

2 In years.

3 in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818

4 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

Template 1: Banking book - Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity 31-12-2022

	Sector/subsector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	In € millions	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions[1]							
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks[3]	Of which environmentally sustainable (CCM)	Of which stage 2	Of which non-performing		Of which Stage 2	Of which non-performing		Of which Scope 3 financed emissions	% of the portfolio derived from company-specific reporting	<= 5 yrs	> 5 yr <= 10 yrs	> 10 yr <= 20 yrs	> 20 yrs	Average weighted maturity[2]
1	**Exposures towards sectors that highly contribute to climate change[4]**	**1,318**	**0**		**48**	**54**	**-31**	**-2**	**-26**	**60,854**	**38,581**	**36%**	**230**	**578**	**500**	**9**	**10**
2	A - Agriculture, forestry and fishing	0	-		-	-	-	-	-	83	0	0%	0	-	0	-	20
9	C - Manufacturing	96	-		2	5	-3	-	-2	29,099	26,602	81%	9	78	10	-	8
10	*C.10 - Manufacture of food products*	28	-		-	-	-	-	-	24,713	24,372	96%	0	27	1	-	8
11	*C.11 - Manufacture of beverages*	0	-		-	1	-	-	-	0	0	0%	0	-	-	-	-
13	*C.13 - Manufacture of textiles*	1	-		-	-	-	-	-	41	-	0%	-	1	0	-	10
14	*C.14 - Manufacture of wearing apparel*	0	-		-	-	-	-	-	-		0%	0	-	-	-	-
15	*C.15 - Manufacture of leather and related products*	-	-		-	-	-	-	-	-		0%	-	-	-	-	-
16	*C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials*	1	-		-	-	-	-	-	49	1	0%	0	-	0	-	15
17	*C.17 - Manufacture of pulp, paper and paperboard*	0	-		-	-	-	-	-	-	-	0%	0	-	-	-	-
18	*C.18 - Printing and service activities related to printing*	0	-		-	-	-	-	-	3	0	0%	0	-	0	-	17
20	*C.20 - Production of chemicals*	1	-		-	-	-	-	-	91	90	100%	1	-	-	-	2
22	*C.22 - Manufacture of rubber products*	0	-		-	-	-	-	-	16	0	0%	0	-	0	-	19
23	*C.23 - Manufacture of other non-metallic mineral products*	2	-		-	-	-	-	-	1,686	-	0%	0	1	1	-	16
24	*C.24 - Manufacture of basic metals*	0	-		-	-	-	-	-	0	-	0%	0	-	-	-	-
25	*C.25 - Manufacture of fabricated metal products, except machinery and equipment*	4	-		1	1	-	-	-	288	111	0%	1	0	3	-	11
26	*C.26 - Manufacture of computer, electronic and optical products*	0	-		-	-	-	-	-	0	0	0%	0	-	-	-	-
27	*C.27 - Manufacture of electrical equipment*	52	-		-	-	-	-	-	1,718	1,626	95%	3	49	-	-	7
28	*C.28 - Manufacture of machinery and equipment n.e.c.*	1	-		-	-	-	-	-	9	0	0%	0	-	1	-	17
29	*C.29 - Manufacture of motor vehicles, trailers and semi-trailers*	0	-		-	-	-	-	-	-	-	0%	0	-	-	-	-
31	*C.31 - Manufacture of furniture*	1	-		-	-	-	-	-	38	15	0%	0	0	1	-	10
32	*C.32 - Other manufacturing*	1	-		-	-	-	-	-	1	1	0%	0	-	1	-	12

	Sector/subsector	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	In € millions	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			GHG financed emissions[1]							
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks[3]	Of which environmentally sustainable (CCM)	Of which stage 2	Of which non-performing		Of which Stage 2	Of which non-performing		Of which Scope 3 financed emissions	% of the portfolio derived from company-specific reporting	<= 5 yrs	> 5 yr <= 10 yrs	> 10 yr <= 20 yrs	> 20 yrs	Average weighted maturity[2]
33	*C.33 - Repair and installation of machinery and equipment*	4	-		-	3	-2	-	-2	445	385	0%	3	-	1	-	4
34	D - Electricity, gas, steam and air conditioning supply	656	-		21	41	-23	-	-22	7,761	950	4%	54	235	368	-	11
35	*D35.1 - Electric power generation, transmission and distribution*	655	-		21	41	-23	-	-22	7,761	950	4%	54	235	366	-	11
36	*D35.11 - Production of electricity*	548	-		21	40	-23	-	-22	4,760	0	0%	46	210	292	-	11
38	*D35.3 - Steam and air conditioning supply*	1	-		-	-	-	-	-	-	-	0%	-	-	1	-	15
39	E - Water supply; sewerage, waste management and remediation activities	0	-		-	-	-	-	-	0	0	0%	0	-	-	-	-
40	F - Construction	88	-		4	-	-	-	-	1,993	1,058	53%	56	1	26	6	19
41	*F.41 - Construction of buildings*	14	-		2	-	-1	-	-	290	35	0%	3	0	11	0	15
42	*F.42 - Civil engineering*	1	-		-	-	-	-	-	76	47	0%	0	0	1	-	15
43	*F.43 - Specialised construction activities*	73	-		1	-	-	-	-	1,627	976	65%	52	1	14	6	7
44	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	97	-		3	3	-1	-	-1	10,459	4,469	64%	11	57	28	1	10
45	H - Transportation and storage	61	0		-	-	-	-	-	3,168	2,671	95%	0	59	1	1	52
46	*H.49 - Land transport and transport via pipelines*	54	-		-	-	-	-	-	2,998	2,631	98%	0	54	0	1	8
47	*H.50 - Water transport*	0	-		-	-	-	-	-	40	18	0%	0	-	-	-	1
49	*H.52 - Warehousing and support activities for transportation*	6	-		-	-	-	-	-	129	22	81%	0	5	1	-	11
50	*H.53 - Postal and courier activities*	0	-		-	-	-	-	-	1	-	0%	0	0	0	0	19
51	I - Accommodation and food service activities	4	-		1	2	-	-	-	49	20	0%	2	1	1	-	8
52	L - Real estate activities	315	0		18	3	-3	-2	-	8,242	2,810	64%	99	147	67	2	8
53	**Exposures towards sectors other than those that highly contribute to climate change[4]**	**8,958**	**-**		**28**	**10**	**-16**	**-1**	**-2**				**7,633**	**866**	**379**	**80**	**12**
54	K - Financial and insurance activities	8,576	-		17	5	-13	-1	-1				7,526	737	239	74	15
55	Exposures to other sectors (NACE codes J, M - U)	381	-		11	5	-3	-	-1				107	129	140	6	9
56	**TOTAL**	**10,275**	**0**		**76**	**64**	**-47**	**-4**	**-28**	**60,854**	**38,581**	**36%**	**7,863**	**1,443**	**880**	**89**	**10**

1 Scope 1, scope 2 and scope 3 emissions of the counterparty (in tons of CO2 equivalent)

2 In years.

3 in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818

4 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

Template 1

We have included our exposures along with GHG financed emissions and residual maturity for non-financial corporations, disaggregated in the related sectors. Our greatest exposure for non-financial corporations is due to renewable energy projects, which are included in sector D - Electricity, gas, steam and air conditioning supply. As this exposure mainly concerns renewable energy projects such as solar, wind parks and biomass, and does not include any clients in the (fossil) gas sector, this leads to a relatively small amount of financed emissions and we assess our exposure to transition risk in sectors that highly contribute to climate change to be low.

Exposures towards companies excluded from EU Paris-Aligned Benchmarks

To report exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with points (d) to (g) of Article 12.1 we assessed the NACE code, activity and trade name of our exposures. When there was a clear indication or if there was no or limited information, the company was regarded subject to Article 12.1 (d-g). Companies in sector H - Transportation and storage were considered subject to Article 12.1 (d-g) if there was an indication of them developing an activity that could fall under these criteria.

To identify exposures subject to Art 12.2 we used external data providers for an assessment of companies' involvement in incidents with significant negative implications to society and the environment. We have exposures in row 54 subject to Article 12.2, which stem from a (financial) subsidiary of an automotive company, a consumer good company, and a financial services company. The consumer good company which has been accepted under our sustainability policy only recently obtained a UNGC violator status by the external data provider. For the automotive company it should be noted that these exposures concern issued green bonds under the ICMA Green Bond Principles and have been accepted under our sustainability policies. For the financial services company this concerns a credit support annex (CSA) facility for our own Pearl 1 SPV (Green Bond) and not an exposure in that respective company.

GHG financed emissions

We apply the Global GHG accounting and reporting standard by PCAF to attribute financed emissions of relevant exposures. We use this methodology to calculate financed scope 1, 2 and 3 emissions expressed in CO2 equivalents. According to the PCAF methodology, the primary source are company reported emissions, which is collected from the borrower or investee company for scope 1, 2 and 3 directly. If such company reported data is not available, we use specific estimates based on physical or economic activity or sector-average emission factors on a best effort basis. We use physical activity-based emissions data for our project finance portfolio, which consists mainly of renewable energy projects. However, GHG emissions from renewable energy projects can be considered negligible under PCAF methodology. We use economic activity-based emissions for some exposures. These emissions are specific estimates by the reporting financial institution based on economic activity and/or emission data collected from the borrower, investee company, or an umbrella/ governing organisation (e.g. housing corporations). As a final resort, we use sector-average emission factors based on the emission factor database of PCAF. In 2023, we improved the data lineage for the calculations of the GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty). Comparative figures have been adjusted accordingly.

The minimal changes in exposures compared to the previous disclosure period did not lead to any additional implications for our credit, market, operational, reputational, or liquidity risks. Based on quantitative information (if available), expert judgement, internal and external studies and upcoming regulation 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. De Volksbank used the assessment results to formulate specific actions to assess the impact of the identified ESG risk drivers. As a conclusion, we assessed that the sustainability risks do not have a material financial impact on the financial results of 2023, our strategy or our business operations. We therefore did not have any material costs to mitigate this impact. In the medium or long term sustainability risks may have a material financial impact on the financial results of de Volksbank.

Template 2: Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral 31-12-2023

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Total gross carrying amount amount															
		Level of energy efficiency (EP score in kWh/m² of collateral)							Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
	In € millions		0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which EP score estimated
1	**Total EU area**	**50,396**	**1,612**	**16,855**	**17,817**	**8,315**	**5,680**	**117**	**7,105**	**3,496**	**6,186**	**2,855**	**1,983**	**1,585**	**1,670**	**25,516**	**100%**
2	Of which Loans collateralised by commercial immovable property	1,105	363	429	173	68	60	12	296	46	79	26	23	18	31	586	100%
3	Of which Loans collateralised by residential immovable property	49,290	1,249	16,426	17,644	8,247	5,620	104	6,809	3,450	6,107	2,829	1,959	1,567	1,639	24,930	100%
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	44,634	689	15,035	15,848	7,563	5,471	29								44,634	100%
6	**Total non-EU area**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Template 2: Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral 31-12-2022

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Total gross carrying amount amount															
		Level of energy efficiency (EP score in kWh/m² of collateral)							Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
	In € millions		0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which EP score estimated
1	**Total EU area**	**49,324**	**843**	**16,611**	**17,554**	**8,275**	**5,870**	**171**	**6,272**	**3,306**	**5,758**	**2,732**	**1,892**	**1,540**	**1,621**	**26,203**	**100%**
2	Of which Loans collateralised by commercial immovable property	989	155	351	172	88	79	144	172	35	46	22	20	12	23	659	100%
3	Of which Loans collateralised by residential immovable property	48,334	688	16,260	17,382	8,187	5,791	27	6,100	3,271	5,712	2,709	1,872	1,527	1,599	25,544	100%
5	Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	45,445	349	15,356	16,197	7,721	5,717	105								45,445	100%
6	**Total non-EU area**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Template 2
We use the Netherlands Enterprise Agency (RVO), in Dutch: *Rijksdienst voor Ondernemend Nederland*, database to report on the definitive EPC label and, if available, EP score of loans collateralised by immovable property. We estimated the EP score if there was no information available on the EP score from the RVO database.

Definitive, preliminary or expired EPC labels without EP score are classified in the following manner:
- A+ and higher are mapped to column b “0; <= 100 ” kWh/m².
- A and B is mapped to column c “> 100; <= 200” kWh/m².
- C and D is mapped to column d “> 200; <= 300” kWh/m².

- E is mapped to column e "> 300; <= 400" kWh/m².
- F is mapped to column e "> 300; <= 400" kWh/m².
- G is mapped to column f "> 400; <= 500" kWh/m².

In case there is no EPC label known to map the EP score, we use an alternative approach as described below.

Loans collateralised by residential immovable property without definitive, preliminary or expired EPC label
The level of energy efficiency of loans collateralised by residential immovable property is based on average energy use that is extracted from the energy distribution system operators (DSOs) (Liander, Enexis, and Stedin). The DSOs provide clusters of average energy use data, to avoid sharing privacy-sensitive data. These clusters are composed of collateral which have similar characteristics (Volksbank brand, type of energy label (provisional or definitive) and energy label classification (G till A+++++). One of these clusters comprises average energy consumption of collateral without EPC label, which we use to estimate EP scores of the immovable property by dividing the energy consumption by the surface area of the immovable property. We only receive this average energy consumption data from the three largest DSOs. When the immovable property falls in the jurisdiction of another DSO, we apply the average energy consumption of the three known DSOs to the immovable property without EPC label.

Loans collateralised by commercial immovable property without definitive, preliminary or expired EPC label
For loans collateralised by commercial immovable property we estimate the levels of energy efficiency based on average scope 1 and 2 emission factors per NACE sector, available via PCAF. These emission factors (tCO2/ million euros) are calculated to (kWh/ euro) using CBS emission factor data. The sector specific energy factors are multiplied by the gross carrying amount and divided by the surface (square meters) of the collateral.

Explicit consideration of ESG factors as drivers for liquidity risk was included in liquidity stress testing, risk identification and Risk Appetite Statement. Based on this analysis, it was concluded that related risks are already adequately captured via the existing liquidity stress testing framework and scenarios.

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 mainly depends on the transition to a more sustainable housing sector. De Volksbank actively encourages and facilitates its customers in reducing energy costs by making their home more sustainable, which at the same time decreases our long-term exposure to transition risk.

Alignment metrics

Template 3: Banking book - Indicators of potential climate change transition risk: Alignment metrics 31-12-2023

	a	b	c	d	e	f	g
	Sector	NACE Sectors	Portfolio gross carrying amount (in € millions)	Alignment metric	Year of reference	Distance to IEA NZE2050 in %[1]	Target[2]
1	Power	35.11	837	0,006 tCO2/MWh	2023	-96%	0,258 tCO2/MWh
9	Residential and commercial mortgages	N.A.	50,396	29,197 kgCO2e/m2	2023	116%	21,35 kgCO2e/m2

1 PiT distance to 2030 NZE2050 scenario in % (for each metric)
2 Year of reference + 3 years

Template 3: Banking book - Indicators of potential climate change transition risk: Alignment metrics 31-12-2022

	a	b	c	d	e	f	g
	Sector	NACE Sectors	Portfolio gross carrying amount (in € millions)	Alignment metric	Year of reference	Distance to IEA NZE2050 in %[1]	Target[2]
1	Power	35.11	548	0,008 tCO2/MWh	2020	-97%	0,368 tCO2/MWh
9	Residential and commercial mortgages	N.A.	49,324	32,979 kgCO2e/m2	2020	154%	26,44 kgCO2e/m2

1 PiT distance to 2030 NZE2050 scenario in % (for each metric)
2 Year of reference + 3 years

Template 3
De Volksbank is the first bank in the Netherlands with approved Science Based Targets (SBTs) by the Science Based Targets initiative (SBTi) for a range of core activities in line with the Paris Agreement and the International Energy Agency Net Zero Emissions by 2050 Scenario (IEA NZE 2050). This includes an SBT on our residential and commercial mortgage portfolio and an SBT on Electricity Generation Project Finance (Power). We have included these targets in this template.

We will not set SBTs for other sectors, as the other sectors are not our core activities or are excluded via our sustainability policies. As such, we have negligible exposures (< EUR 100.000) in the sectors of fossil fuel combustion, automotive (with the exception that we can finance electric vehicles), aviation, cement clinker and lime production, and chemicals and have not identified specific targets in this template. Furthermore, we have limited SME exposures in the sectors maritime transport, iron and steel, coke, and metal ore production. Please find below more information per sector for which we have set an SBT. The reference years reflect the most recent year for which the calculation was performed. Compared to the previous Pillar 3 report we have updated our reference years from 2020 to 2023 and the corresponding target years.

Power (SBT)
De Volksbank commits to continue only financing renewable energy through 2030. The SBTi suggested a maintenance target for companies who are already at 100% Renewable Energy financing. Since de Volksbank already complies with this SBT it was not required to set alignment metrics. Compared to our previous Pillar 3 report, we have calculated an additional alignment metric with corresponding IEA NZE 2050 target for 2030 in order to better show our progress, which shows the average share of high carbon technologies.

1. Alignment metric in tCO_2/MWh

For the calculation of our alignment metric, we looked at all our exposures to the power sector. Due to our sustainability policies, almost all of our exposures concern renewable energy projects. Our alignment metric in tCO_2/MWh is based on total emissions caused by our financed renewable energy projects per generated MWh. We compare this alignment metric with the targets as stated in Table A.5 of the IEA (2021) in the Net Zero Emissions by 2050: A Roadmap for the Global Energy Sector. Here we used the target of the NZE 2050 scenario of the electricity sector for the world expressed in CO_2-intensity of electricity generation (tCO_2/MWh) to establish our distance to this respective target.

2. Alignment metric in Average share (%) of high carbon technologies (oil, gas, coal)

Our Alignment Metric with reference year 2023 is calculated on: 0% Average share of high carbon technologies (oil, gas, coal). We included all our exposures in the power sector to calculate the alignment metric. Due to our sustainability policies, we do not have exposures in high carbon technologies (oil, gas, coal) in the power sector. We compare this alignment metric with the targets as stated in Table A.3 of the IEA (2021) Net Zero Emissions by 2050: A Roadmap for the Global Energy Sector. Here we used the target of the NZE 2050 scenario of the electricity sector for the world expressed in average share of high carbon technologies (oil, gas, coal), to establish our distance to this respective target.

As our project finance portfolio solely consists of renewable energy companies within that sector and does not include any clients in the (fossil) gas sector, we assess our exposure to transition risk in sectors that highly contribute to climate change to be low.

Residential and commercial immovable property
De Volksbank commits to reduce mortgage portfolio GHG emissions with 59% per square meter by 2030 from a 2020 base year. The SBT has been set on all mortgage exposures including commercial and residential.

Alignment metric in: $kgCO_2e/m^2$

The alignment metric is applicable to the entire mortgage portfolio, which is comprised of residential and commercial mortgages.

The emission intensity ($kgCO_2e/m^2$) for residential mortgages has been calculated using 2021 gas- and electricity consumption data specific to the financial year 2022 of de Volksbank residential mortgage portfolio, retrieved from the three largest DSOs in the Netherlands. The gas- and electricity consumption is converted to CO_2-equivalents using emission factors applicable to the Dutch energy grid based on the energy mix of the Netherlands. The CO_2-equivalents are divided by the total surface area of the mortgage portfolio to obtain the carbon intensity metric $kgCO_2e/m^2$.

The emissions for the commercial mortgages are calculated using PCAF emission factors based on asset value per sector. The emissions for commercial mortgages are also converted to a carbon intensity metric by dividing by total surface area. Both residential and commercial mortgage portfolios are represented in one metric, as the Science Based Target is set for the whole mortgage portfolio.

The alignment metric improved in 2023 compared to 2020 due to a decrease in the electricity grid emission factor in the Netherlands and more up-to-date PCAF emission factors for our commercial mortgages.

Template 4: Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms
De Volksbank has chosen the Carbon Majors Database and Reports of the Carbon Disclosure Project as a source for the top 20 carbon-intensive firms. When assessing the exposures to the top 20 carbon-intensive firms, we apply a look through approach for special purpose vehicles on a best effort basis. If there is a majority shareholder from a top 20 carbon-intensive firm, the exposure is included. As a result of our sustainability policies, we exclude almost all activities in the fossil fuel, mining, and iron, steel and coke production sector and therefore we have no exposure to the top 20 carbon-intensive firms. Therefore Template 4: Banking book - Climate

change transition risk: Exposures to top 20 carbon-intensive firms is not included in this report.

Template 5: Banking book - Indicators of potential climate change physical risk: Exposures subject to physical risk 31-12-2023

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount													
		of which exposures sensitive to impact from climate change physical events													
			Breakdown by maturity bucket										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	In € millions		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity[1]	of which chronic climate change events	of which acute climate change events	of which chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures		of which Stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	1	-	-	-	-	-	-	-	-	-	-	-	-	-
3	C - Manufacturing	130	-	0	0	-	-	0	-	0	0	-	-0	-0	-
4	D - Electricity, gas, steam and air conditioning supply	837	-	5	-	-	-	5	-	-	5	-	-0	-0	-
5	E - Water supply; sewerage, waste management and remediation activities	0	-	-	-	-	-	-	-	-	-	-	-	-	-
6	F - Construction	74	-	-	1	-	-	1	-	0	-	-	-0	-	-
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	97	0	0	0	-	-	1	-	-	-	-	-0	-	-
8	H - Transportation and storage	65	0	-	0	-	-	0	-	0	-	-	-0	-	-
9	L - Real estate activities	278	-	-	3	-	-	3	-	-	-	-	-0	-	-
10	Loans collateralised by residential immovable property	49,290	38	124	519	1,469	0	1,982	-	168	116	24	-5	-2	-2
11	Loans collateralised by commercial immovable property	1,105	1	6	37	0	0	39	-	5	4	2	-1	-0	-1

1 In years.

Template 5: Banking book - Indicators of potential climate change physical risk: Exposures subject to physical risk 31-12-2022

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount													
			of which exposures sensitive to impact from climate change physical events												
			Breakdown by maturity bucket										Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
	In € millions		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity[1]	of which chronic climate change events	of which acute climate change events	of which chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures		of which Stage 2 exposures	Of which non-performing exposures
1	A - Agriculture, forestry and fishing	0	-	-	-	-	-	-	-	-	-	-	-	-	-
3	C - Manufacturing	96	-	0	1	-	-	0	-	0	-	-	-0	-	-
4	D - Electricity, gas, steam and air conditioning supply	656	-	6	-	-	-	6	-	-	6	-	-0	-0	-
5	E - Water supply; sewerage, waste management and remediation activities	0	-	-	-	-	-	-	-	-	-	-	-	-	-
6	F - Construction	88	-	0	1	-	-	1	-	0	-	-	-0	-	-
7	G - Wholesale and retail trade; repair of motor vehicles and motorcycles	97	0	0	0	-	-	1	-	-	-	-	-0	-	-
8	H - Transportation and storage	61	0	-	-	-	-	-	-	0	-	-	-0	-	-
9	L - Real estate activities	315	-	-	1	-	-	1	-	-	-	-	-0	-	-
10	Loans collateralised by residential immovable property	48,334	38	107	603	1,401	0	1,983	-	167	99	17	-5	-1	-1
11	Loans collateralised by commercial immovable property	989	1	4	29	2	0	34	-	2	2	2	-1	-0	-0

1 In years.

Template 5
Given the concentration of activities of de Volksbank in the Netherlands, the only material geographic area for the assessment of potential climate change physical risk is the Netherlands. The vast majority of activities in the Netherlands is related to loans collateralised by residential and commercial immovable property. A methodology to assess physical risks for debt securities is not available yet.

The location of the collateral is used for residential and commercial immovable property. For other loans, the residence of the counterparty is used for the assessment. De Volksbank consulted the data from the Climate Impact Atlas (link only available in Dutch). 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.

In 2023 de Volksbank improved the methodology for mapping the Climate Impact Atlas to the collateral data by using coordinates from the collateral instead of the postal code. This resulted in significantly lower exposures sensitive to impact from climate change events. The comparative figures have been adjusted accordingly.

For chronic climate change events, de Volksbank 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. For acute and chronic climate change events, de Volksbank 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. The Climate Impact Atlas does not differentiate between sea level rise (chronic physical climate risk) and flood (acute physical climate risk). Therefore, we included exposures sensitive to flood in the column with both chronic and acute climate change events.

The 2050 Low scenario has been chosen for chronic climate change events in order to ensure that all consulted maps have the same reference point. The flood risk map used for acute and chronic climate change events has a 2050 reference point.

Template 6: Summary of key performance indicators (KPIs) on the Taxonomy-aligned exposures 31-12-2023

	KPI			
	Climate change mitigation	Climate change adaptation	Total (Climate change mitigation + Climate change adaptation)	% coverage (over total assets)[1]
GAR stock	13.38%	0.00%	13.38%	11.22%
GAR flow	9.18%	0.00%	9.18%	7.22%

1 % of assets covered by the KPI over banks´ total assets

Template 6

The overview of KPIs related to the Green Asset Ratio (GAR) in Template 6 results from the information as is included in templates 7 and 8. This is the first year for which de Volksbank reports EU Taxonomy alignment and GAR templates 6 to 8. The information in these templates shows how our financing activities meet the objectives of climate change mitigation and adaptation based on the EU Taxonomy of green activities.

Template 7 - Mitigating actions: Assets for the calculation of GAR 31-12-2023

		a	b	c	e	f	g	h	j	k	l	m	o	p
			Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)[1]			
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)			
		Total gross carrying amount		Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)		
	In € millions				Of which transitional	Of which enabling			Of which adaptation	Of which enabling			Of which transitional/ adaptation	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	52,176	50,195	7,994	18	13	55	-	-	-	50,709	7,994	18	13
2	**Financial corporations**	2,464	654	53	-	-	50	-	-	-	1,162	53	-	-
3	Credit institutions	2,215	520	53	-	-	45	-	-	-	1,023	53	-	-
4	*Loans and advances*	1,090	2	-	-	-	-	-	-	-	425	-	-	-
5	*Debt securities, including UoP*	1,125	518	53	-	-	45	-	-	-	598	53	-	-
6	*Equity instruments*	0	-	-	-	-	-	-	-	-	-	-	-	-
7	Other financial corporations	249	134	-	-	-	5	-	-	-	139	-	-	-
8	*of which investment firms*	19	19	-	-	-	-	-	-	-	19	-	-	-
9	*- Loans and advances*	-	-	-	-	-	-	-	-	-	-	-	-	-
10	*- Debt securities, including UoP*	19	19	-	-	-	-	-	-	-	19	-	-	-

		a	b	c	e	f	g	h	j	k	l	m	o	p
			Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)[1]			
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)			
		Total gross carrying amount		Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)		
	In € millions				Of which transitional	Of which enabling			Of which adaptation	Of which enabling			Of which transitional/ adaptation	Of which enabling
20	**Non-financial corporations (subject to NFRD disclosure obligations)**	403	232	55	18	13	5	-	-	-	237	55	18	13
21	*Loans and advances*	-	-	-	-	-	-	-	-	-	-	-	-	-
22	*Debt securities, including UoP*	403	232	55	18	13	5	-	-	-	237	55	18	13
23	*Equity instruments*	-	-	-	-	-	-	-	-	-	-	-	-	-
24	**Households**	49,309	49,309	7,886	-	-					49,309	7,886	-	-
25	*of which loans collateralised by residential immovable property*	49,290	49,290	7,886	-	-					49,290	7,886	-	-
26	*of which building renovation loans*	10	10	-	-	-					10	-	-	-
27	*of which motor vehicle loans*	9	9	-	-	-					9	-	-	-
28	**Local governments financing**	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Housing financing	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Other local governments financing	-	-	-	-	-	-	-	-	-	-	-	-	-
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	-	-	-	-	-	-	-	-	-	-	-	-	-
32	**TOTAL GAR ASSETS**	**52,176**	**50,195**	**7,994**	**18**	**13**	**55**	**-**	**-**	**-**	**50,709**	**7,994**	**18**	**13**
	Assets excluded from the numerator for GAR calculation (covered in the denominator)													
33	**EU Non-financial corporations (not subject to NFRD disclosure obligations)**	1,761												
34	*Loans and advances*	1,729												
35	*Debt securities*	33												
37	**Non-EU Non-financial corporations (not subject to NFRD disclosure obligations)**	53												
38	*Loans and advances*	27												
39	*Debt securities*	26												
41	**Derivatives**	741												
42	**On demand interbank loans**	39												
43	**Cash and cash-related assets**	28												
44	**Other assets (e.g. Goodwill, commodities etc.)**	4,932												
45	**TOTAL ASSETS IN THE DENOMINATOR (GAR)**	**59,731**												
	Other assets excluded from both the numerator and denominator for GAR calculation													
46	Sovereigns	4,669												
47	Central banks exposure	6,336												

In € millions	a	b	c	e	f	g	h	j	k	l	m	o	p
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)[1]			
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)			
	Total gross carrying amount		Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)				Of which environmentally sustainable (Taxonomy-aligned)		
				Of which transitional	Of which enabling			Of which adaptation	Of which enabling			Of which transitional/ adaptation	Of which enabling
48 Trading book	517												
49 TOTAL ASSETS EXCLUDED FROM NUMERATOR AND DENOMINATOR	**11,522**												
50 TOTAL ASSETS	**71,253**												

1 Includes exposures towards counterparties that did not specify whether activities are CCM or CCA taxonomy-eligible or taxonomy-aligned.

Template 7

Included in this template are our financing activities that are eligible and aligned with EU Taxonomy, which serves as underlying information for the calculation of the GAR. This is the first year for which this template is disclosed.

Template 8 - GAR (%) 31-12-2023

% (compared to total covered assets in the denominator)	a	b	d	e	f	g	i	j	k	l	n	o	p	q	r	t	u	v	w	y	z	aa	ab	ad	ae	af
	KPIs on stock													KPIs on flows												
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)				Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)[1]			
	Proportion of eligible assets funding taxonomy relevant sectors					Proportion of eligible assets funding taxonomy relevant sectors				Proportion of eligible assets funding taxonomy relevant sectors			Proportion of total assets covered	Proportion of new eligible assets funding taxonomy relevant sectors					Proportion of new eligible assets funding taxonomy relevant sectors				Proportion of new eligible assets funding taxonomy relevant sectors			Proportion of total new assets covered
		Of which environmentally sustainable					Of which environmentally sustainable				Of which environmentally sustainable					Of which environmentally sustainable					Of which environmentally sustainable			Of which environmentally sustainable		
			Of which transitional	Of which enabling			Of which adaptation	Of which enabling			Of which transitional/ adaptation	Of which enabling				Of which transitional	Of which enabling			Of which adaptation	Of which enabling			Of which transitional/ adaptation	Of which enabling	
1 GAR																										
2 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	84.04	13.38	0.03	0.02	0.09				84.90	13.38	0.03	0.02	73.23	48.92	9.18		0.05	0.20				52.73	9.18		0.05	49.01
3 **Financial corporations**	1.09	0.09			0.08				1.95	0.09			3.46	1.46	0.18			0.20				5.28	0.18			11.36

	% (compared to total covered assets in the denominator)	a	b	d	e	f	g	i	j	k	l	n	o	p	q	r	t	u	v	w	y	z	aa	ab	ad	ae	af
		KPIs on stock													KPIs on flows												
		Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)					Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)[1]				
		Proportion of eligible assets funding taxonomy relevant sectors				Proportion of eligible assets funding taxonomy relevant sectors				Proportion of eligible assets funding taxonomy relevant sectors				Proportion of total assets covered	Proportion of new eligible assets funding taxonomy relevant sectors				Proportion of new eligible assets funding taxonomy relevant sectors				Proportion of new eligible assets funding taxonomy relevant sectors				Proportion of total new assets covered
			Of which environmentally sustainable				Of which environmentally sustainable				Of which environmentally sustainable					Of which environmentally sustainable				Of which environmentally sustainable				Of which environmentally sustainable			
				Of which transitional	Of which enabling			Of which adaptation	Of which enabling			Of which transitional/ adaptation	Of which enabling				Of which transitional	Of which enabling			Of which adaptation	Of which enabling			Of which transitional/ adaptation	Of which enabling	
4	Credit institutions	0.87	0.09			0.08				1.71	0.09			3.11	0.74	0.18			0.14				4.50	0.18			10.54
5	Other financial corporations	0.22				0.01				0.23				0.35	0.72				0.06				0.78				0.82
6	*of which investment firms*	0.03								0.03				0.03													
7	*of which management companies*																										
8	*of which insurance undertakings*																										
9	**Non-financial corporations subject to NFRD disclosure obligations**	0.39	0.09	0.03	0.02	0.01				0.40	0.09	0.03	0.02	0.57	0.49	0.05		0.05					0.49	0.05		0.05	0.67
10	**Households**	82.55	13.20							82.55	13.20			69.20	46.96	8.94							46.96	8.94			36.98
11	*of which loans collateralised by residential immovable property*	82.52	13.20							82.52	13.20			69.18	46.81	8.94							46.81	8.94			36.86
12	*of which building renovation loans*	0.02								0.02				0.01	0.07								0.07				0.05
13	*of which motor vehicle loans*	0.02								0.02				0.01	0.08								0.08				0.06
14	**Local government financing**																										
15	*Housing financing*																										
16	*Other local governments financing*								0.00																		
17	**Collateral obtained by taking possession: residential and commercial immovable properties**																										

1 Includes exposures towards counterparties that did not specify whether activities are CCM or CCA taxonomy-eligible or taxonomy-aligned.

Template 8
The GAR percentages included in this template are based on our financing activities that are eligible and aligned with EU Taxonomy, as reported in template 7. This is the first year for which this template is disclosed.

Template 10 - Other climate change mitigating actions that are not covered in the EU Taxonomy 31-12-2023

	a	b	c	d	e	f
	Type of financial instrument	Type of counterparty	Gross carrying amount (in € millions)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
1	Bonds[1]	Financial corporations	-			
2		Non-financial corporations	-			
4		Other counterparties	742	Yes	Yes	These exposures concern Green and Sustainability bonds mainly in relation to renewable energy which have been accepted under our sustainability policies. Such projects prevent/mitigate transition risk and contribute to climate change mitigation. Although the main focus is on carbon reduction, it can occur that there are adaptation measures in these respective bonds.
5	Loans[1]	Financial corporations	154	Yes	No	These exposures to special eco and green funds prevent/mitigate climate change transition and physical risk and contribute to the climate change mitigation and adaptation objective.
6		Non-financial corporations	-			
7		*Of which Loans collateralised by commercial immovable property*	-			
11		Other counterparties	80	No	Yes	In this category we have included our exposures to amongst others (local) governmental exposures such as Water Authorities that prevent physical climate risk and contribute to the climate adaptation objective.

1 E.g. green, sustainable, sustainability-linked under standards other than the EU standards.

Template 10: Other climate change mitigating actions that are not covered in the EU Taxonomy 31-12-2022

	a	b	c	d	e	f
	Type of financial instrument	Type of counterparty	Gross carrying amount (in € millions)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
1	Bonds[1]	Financial corporations	-			
2		Non-financial corporations	-			
4		Other counterparties	662	Yes	Yes	These exposures concern Green and Sustainability bonds mainly in relation to renewable energy which have been accepted under our sustainability policies. Such projects prevent/mitigate transition risk and contribute to climate change mitigation. Although the main focus is on carbon reduction, it can occur that there are adaptation measures in these respective bonds.
5	Loans[1]	Financial corporations	142	Yes	No	These exposures to special eco and green funds prevent/mitigate climate change transition and physical risk and contribute to the climate change mitigation and adaptation objective.
6		Non-financial corporations	-			

	a	b	c	d	e	f
	Type of financial instrument	Type of counterparty	Gross carrying amount (in € millions)	Type of risk mitigated (Climate change transition risk)	Type of risk mitigated (Climate change physical risk)	Qualitative information on the nature of the mitigating actions
7		*Of which Loans collateralised by commercial immovable property*	-			
11		Other counterparties	95	No	Yes	In this category we have included our exposures to amongst others (local) governmental exposures such as Water Authorities that prevent physical climate risk and contribute to the climate adaptation objective.

1 E.g. green, sustainable, sustainability-linked under standards other than the EU standards.

Template 10
Following the EBA Q&A we exclude exposures that could be financing mitigating activities based on the EU Taxonomy in this template as of 2023. These exposures concerned renewable energy projects to non-NFRD counterparties and loans collateralised by commercial immovable property to non-NFRD counterparties. The comparative figures have been adjusted accordingly.
We have included exposures that are not considered in scope of the EU taxonomy. In our view, these exposures are contributing to climate change mitigation and adaptation and reduce climate change transition and physical risk. By investing amongst others in green bonds and project financing, we take ongoing actions to mitigate future climate risks. The timing of the action to mitigate future climate risks varies dependent on the instrument and counterparty. We explain each category in more detail below.

Row 4: Bonds – Other counterparties
In this category we included green bonds which have been accepted under our sustainability policies and are indicated by Bloomberg as green bonds. These exposures concern green bonds under standards such as ICMA Green Bond Principles, excluding those which are subject to EU Taxonomy Regulation. These bonds have not been assessed for EU Taxonomy Alignment by the issuer and therefore are included in this template. The Green Bonds cover mainly projects in relation to renewable energy and energy saving which have been accepted under our sustainability policies. Such projects prevent/mitigate transition risk and contribute to climate change mitigation. Although the main focus is on carbon reduction, it can occur that there are adaptation measures in these respective bonds. Furthermore, all our green bonds are validated by a Second Party Opinion (SPO) provider. For bonds with EU Taxonomy Alignment and those that will be issued under the EU Green Bond Standard, please see template 7 and 8.

Row 5: Loans – Financial corporations
This category covers exposures to special Eco and Green funds. These funds are not subject to the NFRD and the activities of these funds are not eligible under the EU Taxonomy Regulation, hence they are not obliged to report on their Taxonomy alignment. In addition, these funds are not considered in the BTAR as they are not non-financial corporations. These funds prevent or mitigate climate change transition and physical risk and contribute to the climate change mitigation and adaptation objective, and therefore are considered in this template. The nature of these mitigating actions lies in promoting sustainable economic growth by investing in measures that reduce energy consumption, promote responsible (natural) resource use, conserve biodiversity and reduce CO_2 emissions.

Row 11: Loans – Other counterparties
In this category we have included loans to Dutch Waterschappen (Water Boards). These general purpose loans are expected to mitigate climate change physical risk and contribute to the climate change adaptation objective. The counterparties are local governments and are not subject to the NFRD reporting obligation and do not have a Taxonomy reporting obligation.