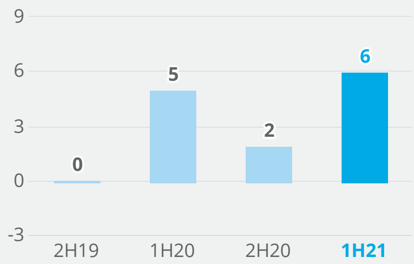
2021

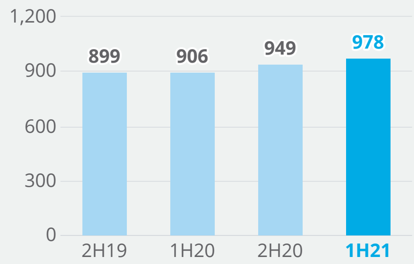
Interim financial report

Key figures

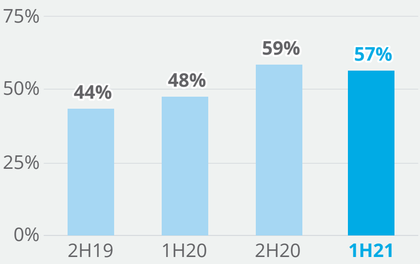
Net Promoter Score[1]



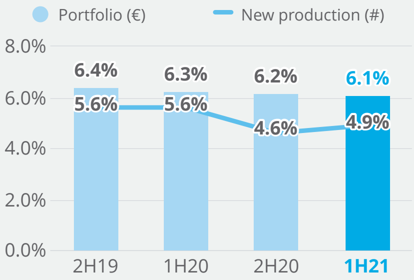
Active multi-customers[2]



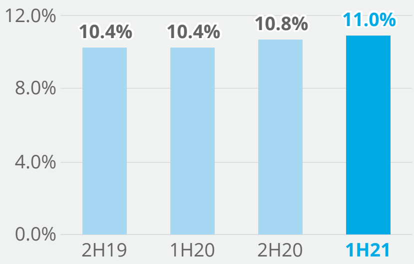
Climate-neutral balance sheet[3]



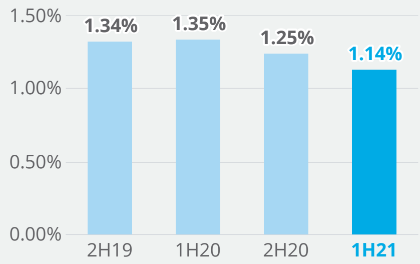
Market share res. mortgages[4]



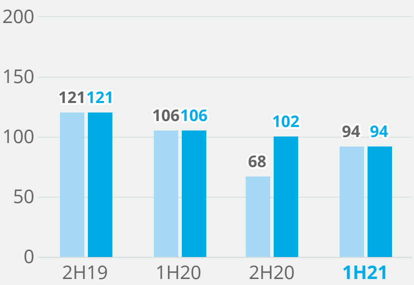
Market share retail savings



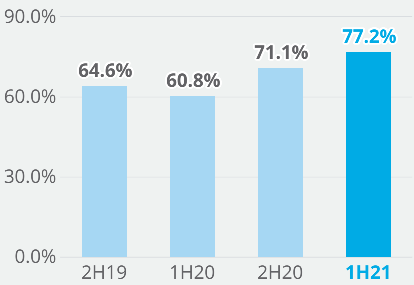
Net interest margin



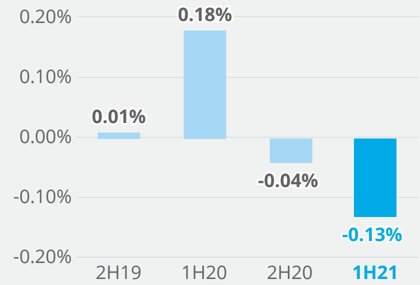
Net result/Adjusted net result[5]



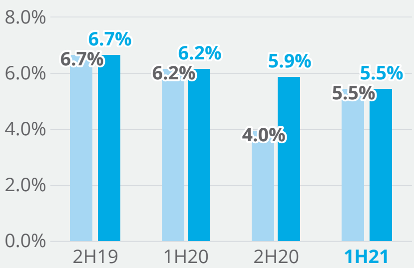
Cost/income ratio[5]



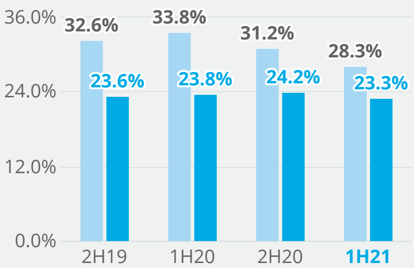
Cost of risk total loans



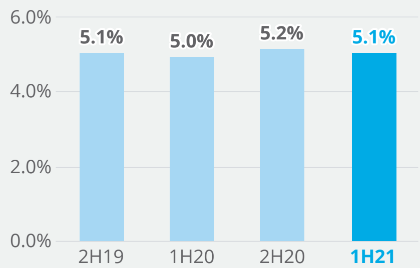
RoE/Adjusted RoE[5]



CET1 ratio Basel III / IV[6]



Leverage ratio



1 Customer-weighted average NPS of all brands. Source: market research company Miles Research.
2 Active multi-customer: a customer with a current account and at least one product from another product group, who has made at least ten customer-initiated transactions on his or her current account for three months in a row.
3 As of 2021, the climate-neutral balance sheet is calculated using the Partnership for Carbon Accounting Financials (PCAF) methodology. The comparative figures have not been adjusted.
4 Market share of the portfolio concerns the first quarter of 2021 because total market size figures were not yet available.
5 For comparative purposes, an adjustment for incidental items was made in the second half of 2020, consisting of a € 45 million (pre-tax) one-off restructuring charge.
6 CET1 ratio based on Basel IV is an estimate.

Foreword

Martijn Gribnau, Chairman of the Board of Directors of de Volksbank

“In the first half of 2021, Covid-19 continued to have a major impact on everyday life. With the vaccination programme well underway, the likelihood for a return to normalcy has increased. It will, however, take some time and setbacks cannot be ruled out. Having taken the necessary precautions, our brands continued to provide their services to our customers. The SNS shops and RegioBank branches have returned to business as usual as much as possible. Apart from that, our employees will continue to work mainly from home until at least 1 September, at which time we will reassess the situation.

Following up on the introduction of our new strategy for 2021-2025 ‘better for each other - from promise to impact’ presented in February of this year, we have taken the first steps to put our plans into practice. The main purpose of our strategy is to strengthen the relationship with our customers and to have a positive and measurable impact on society. In the first half of 2021 we have seen encouraging developments on these priorities. Our customer-weighted Net Promoter Score continued to improve, reaching an all-time high of +6 at the end of June. Our climate-neutral balance sheet was recalculated implementing the PCAF methodology and now stands at 57%. Under the previous methodology we would have seen an improvement to 66%, compared to 59% at year-end 2020.

Our brands have shown the first signs of progress in achieving their growth priorities for the 2021-2025 period:

- ASN Bank achieved continued growth in customers numbers and in fee income from asset management;
- SNS increased both its single and multi-customer base;
- RegioBank was again voted the most customer-friendly bank in the Netherlands;
- mortgage production picked up to € 3.3 billion, with ASN Bank, BLG Wonen and SNS contributing to the rise;
- SNS and RegioBank together managed to grow the SME loan portfolio by € 44 million;
- Assets under management grew by € 0.3 billion to € 4.2 million.

To accelerate the achievement of our strategic goals, we started a movement of change, introducing a single, uniform agile organisational structure and way of working in which independent customer and service teams will make up the heart of the organisation. In the first half of the year, we put a lot of effort in designing these teams, in selecting management and in communicating plans internally. We will continue to do so in the period ahead. We expect the agile way of working to be operational in most parts of the bank in the first half of next year. The transition inevitably entails a level of uncertainty for some of our employees. It is, therefore, encouraging that the most recent measurement of our KPI, ‘Genuine Attention for the Employee’ remained high at 7.8.

In 2020, the Dutch economy experienced a considerable slowdown. The economic contraction triggered by the Covid-19 pandemic and the accommodative monetary policy caused interest rates to decline further. In the course of 2021, economic prospects improved as the government response to Covid-19 sorted effect and the increase in the unemployment rate remained moderate. However, interest rates remained low. House prices continued to rise, after an already surprisingly strong climb last year.

This macroeconomic background is reflected in our interim financial results. On the one hand the prolonged low interest rate environment put pressure on our interest income, on the other hand the improving economic prospects and higher house prices, combined with the low levels of loan losses, led to a release of credit loss provisions.

Net interest income fell by 10% in the first half, mainly driven by lower interest income on mortgages. Lower interest rates paid on savings accounts were not able to compensate for this. Savings balances grew by € 2.6 billion to € 44.7 billion, in line with market growth, while our loan portfolio was virtually stable. The resulting increase in excess liquidity put further pressure on our net interest margin. In many cases, de Volksbank pays interest on liquidities deposited with financial institutions, such as the European Central Bank. To limit a further increase in the level and costs of excess liquidity we have decided to charge 0.5% interest per year on the portion of current accounts and savings balances that exceeds € 100,000 as from 1 July 2021, in line with other Dutch banks. We saw an encouraging growth of fee and commission income related to the investments funds of ASN Bank. Realised results on investments dropped in the first half. All in all, total income declined by 13%.

Total operating expenses rose by 10%. Approximately half of the increase was due to higher regulatory levies, mainly related to the Deposit Guarantee System. The other half of the increase was due to wage inflation and an increase in the number of FTEs, for the most part on account of the implementation of the strategic plan. Furthermore, the number of FTEs related to client integrity and at the Service Center Mortgages also increased.

While we took an impairment charge of € 45 million due to Covid-19 uncertainties in the first half of 2020, we saw a reversal of impairments of € 31 million in the first half of 2021. This reversal was caused by the improved economic outlook, most notably higher house prices and a decrease in the number of bankruptcies, leading to releases of credit loss provisions. This was partly offset by the application of a higher expert overlay as the uncertainty remains high.

In all, net profit dropped by € 12 million to € 94 million, corresponding to a Return on Equity of 5.5%. This is a satisfactory outcome in the current market environment, albeit heavily dependent on the reversal of impairments.

Our capital position remained consistently strong. Our CET1 capital ratio showed a decrease from 31.2% to 28.3% as risk-weighted assets increased mainly due to the most recent estimated impact of the updated credit risk model. The leverage ratio stood at 5.1%, compared to 5.2% at year-end 2020. In the first half of 2021, we issued € 1 billion in senior non-preferred notes under our Green Bond Framework 2021, further strengthening and diversifying our capital position.

On 6 July 2021 the Dutch Minister of Finance informed the House of Representatives about NLFI's most recent progress report on de Volksbank. In this report, dated 30 June 2021, NLFI noted that the strategy for 2021-2025 of our bank is a fitting response to the challenging market circumstances but that it will take several years for the (financial) impact of the strategy to become visible. NLFI also noted the uncertainties around the targeted income growth and cost control and will continue to closely monitor implementation of the strategy. All things considered, NLFI concluded that it is still too early for a decision on the privatisation of de Volksbank. In his letter to the House of Representatives, the Minister of Finance agreed with NLFI's observations and conclusions. We appreciate the support for our new strategy.

A year ago, differences of opinion resulted in the departure of the CFO, and later the COO, of de Volksbank. Subsequently, an independent survey into the board dynamics was conducted and the outcome was shared with the parties involved on 18 February 2021. Recommendations for improvement were made and have meanwhile been adopted. On 15 April 2021 John Reichardt was appointed as interim CFO. The search for a new CFO is ongoing.

At the General Meeting of Shareholders, held on 21 April 2021, two members of our supervisory board stepped down in conformity with the rotation schedule, Monika Milz after two terms in office, Sonja Barendregt-Roojers after one term. I would like to express my appreciation and thanks to both Monika and Sonja for their contribution to our bank.

On 11 March 2021 our Chairman of the Supervisory Board, Jan van Rutte, announced his intention to step down, as soon as a successor had been found.

Today, on 13 August 2021 we announce the appointment of Gerard van Olphen as the new Chairman of the Supervisory Board. Also today, Jan van Rutte resigns. I would like to thank Jan for his longstanding commitment and his role in the establishment of the new strategy, both of which have been of great value for our bank. We look forward to working with Gerard who brings with him extensive executive-level experience and in-depth knowledge of the financial sector.

In the second half of 2021 we will continue to focus on the implementation our new strategy. This includes the completion of a project to improve the quality of our data reporting framework, the reduction of our excess liquidity and laying the groundwork for a new agile way of working. Assuming the second half of 2021 will not again see a substantial reversal of impairments, we expect the net result to be lower than in the first half of 2021.

Finally, I would like to take this opportunity to thank our customers for the trust they have placed in us during the past period and all our employees for their efforts in providing our services under occasionally challenging circumstances.''

Developments in shared value ambition

Progress on objectives

We measure the progress in achieving our mission and the realisation of our shared value ambition by means of specific objectives for our four stakeholder groups:

Objectives	30-6-2021	31-12-2020	30-6-2020	Target 2025
BENEFITS FOR CUSTOMERS				
Customer-weighted average Net Promoter Score (NPS)[1]	+6	+2	+5	+13
Active multi-customers (in 1,000)[2]	978	949	906	1,300
RESPONSIBILITY FOR SOCIETY				
Climate-neutral balance sheet[3]	57%	59%	48%	≥75%
GENUINE ATTENTION FOR OUR EMPLOYEES				
Genuine attention[1]	7.8	7.9	7.9	≥ 7.5
RETURNS FOR THE SHAREHOLDER				
Return on Equity (RoE)	5.5%	5.1%	6.2%	8.0%
OTHER OBJECTIVES				
Common Equity Tier 1 ratio (Basel IV)[4]	23.3%	24.2%	23.8%	≥19%
Leverage ratio (Basel IV)[4]	5.1%	5.2%	5.0%	≥4.5%
Cost/income ratio (including regulatory levies)	77.2%	65.8%[5]	60.8%	57-59%

1 For the measurement methodology of these KPIs reference is made to the 2020 ESG Report.
2 Active multi-customer: a customer with a current account and at least one product from another product group, who has made at least ten customer-initiated transactions on his or her current account for three months in a row.
3 As of 2021, the climate-neutral balance sheet is calculated using the Partnership for Carbon Accounting Financials (PCAF) methodology.
4 For more information, please refer to the chapter Capital management.
5 For comparative purposes, an adjustment for incidental items was made in the second half of 2020, consisting of a € 45 million (pre-tax) one-off restructuring charge.

Benefits for customers

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

Net Promoter Score

The customer-weighted average of all brand-specific Net Promoter Scores (NPS)[1] improved to +6, compared with +2 at year-end 2020. This is an all-time high. All brands contributed to this improvement. The year-end 2025 NPS target has been set at +13.

Number of active multi-customers

As from 2021, one of the KPIs to measure our customer goals is the number of active multi-customers. In the first half of 2021, the number of active multi-customers rose by 29,000 to 978,000. The year-end 2025 target has been set at 1.3 million active multi-customers.
The total number of current account customers increased by 61,000 to 1,718,000 and the total number of customers by 60,000 to 3,402,000.

Responsibility for society

We aim to make a positive contribution to society on four themes: sustainability, financial resilience, quality of life in the region and good housing for everyone.
Additional KPIs for the four themes are currently being developed. With regards to the sustainability theme, we are working on additional KPIs on biodiversity and human rights, in addition to the existing climate-neutral balance sheet KPI. We also aim to promote accessibility

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

to the housing market as part of our 'good housing for everyone' theme and we are developing a KPI for the theme 'quality of life in the region'. Finally, the last of the four themes with respect to our responsibility for society is financial resilience. This theme and the accompanying KPIs are currently being reassessed.

Climate-neutral balance sheet

Our climate-neutral balance sheet is estimated to be 57% halfway into 2021, and we are on track to reach our target of at least 75% in 2025. As of 2021, the climate-neutral balance sheet is calculated using the Partnership for Carbon Accounting Financials (PCAF) methodology, to be fully implemented by the end of 2021. A part of the renewable energy projects financed prior to 2021 has not been fully recalculated using the PCAF methodology partly due to data limitations, which implicates a degree of uncertainty in the interim estimation presented here. The switch to the PCAF methodology has a significant impact. Based on the previous carbon profit and loss methodology, the climate neutrality increased to 66% (2020: 59%), significantly higher than the estimation of 57% based on the PCAF methodology.

Regardless of the methodology, the underlying balance between CO2 emissions lost and avoided improved due to an increase in financed renewable energy projects and an increase in purchased green bonds with a strong focus on renewable energy projects.

The estimated CO2 emissions for the first half of 2021 were 1,316 kilotons using the PCAF methodology and 1,357 kilotons (2020: 1,354 kilotons) using the previous methodology. Avoided CO2 emissions amounted to 749 kilotons based on the PCAF estimation and 893 kilotons using the previous methodology (2020: 794 kilotons).

Genuine attention for employees

We want to empower employees to make a meaningful contribution to our mission and strategy by giving attention to autonomy, personal growth and professionalism. Every six months we monitor the key indicators of shared value for employees: genuine attention, commitment and engagement. For the KPI 'genuine attention for employees' we aim for a score of at least 7.5 (on a 1-10 scale) in 2025. For commitment and engagement the target is a score of 8.0. In April 2021, 83% of all employees participated in the employee survey. The scores for genuine attention, commitment and engagement remained high at 7.8, 8.2 and 7.6 respectively (2020: 7.9, 8.4 and 7.6 respectively). This is a satisfactory score, especially taking into account that employees experienced uncertainty due to the new strategy and the possible consequences for their work and job security.

Returns for the shareholder

Return on equity

Based on the current outlook we expect the return on equity (RoE) this year and the next few years to be below 8%. Implementing the strategy, de Volksbank is making substantial investments to allow growth in later years to an RoE of 8% in 2025. In the first half of 2021, the RoE stood at 5.5%, a decline compared with the first half of 2020 (6.2%) as a result of a lower net profit.

Other objectives

Capital

The target level of the Common Equity Tier 1 ratio and the leverage ratio are based on Basel IV and the end-state of the CRR Non-performing Exposures (NPE) rules. Please refer to the chapter on Capital management for an explanation of our capital objectives and achievements.

Cost/income ratio

We expect the cost/income ratio (C/I ratio) to exceed the 2025 target range of 57-59% in the next few years as the strategic initiatives are intended to produce an effect over the course of the years, both at the level of income and operating expenses.
In the first half of 2021, lower total income and higher operating expenses including regulatory levies resulted in a C/I ratio of 77.2%, an increase compared with the first half of 2020 (60.8%) and the second half of 2020 (71.1%).

Outlook

We expect the decline in net interest income to continue in the course of 2021 as a result of lower interest income on mortgages in the sustained low interest rate environment. The pressure on net interest income will be partly absorbed by increased charging of negative interest rates. In all, net interest income in 2021 is expected to be lower than in 2020.

Operating expenses in the second half of 2021 are expected to be higher compared with the first half of 2021, mainly driven by increasing expenses related to our new strategy. As a result, operating expenses, excluding the one-off restructuring charge in 2020, are expected to be higher in 2021 compared with the 2020 level.

Economic developments in the Netherlands and the consequences for the financial resilience of customers, whose incomes have been cut by the crisis, are highly uncertain. This may effect our credit loss provisions. However, given our low risk profile, impairment charges on loans and advances are projected to be substantially lower in 2021 compared with 2020.

All things considered, we expect the net profit for 2021 as a whole to be lower compared with 2020.

Economic developments

The Dutch economy

The Dutch economy had a difficult start of the year, with the pandemic surging again since December. As large parts of the economy were locked down again, especially in the retail, hospitality and leisure industry, consumer spending slumped. In the first quarter of the year, the economy shrank by 0.8% compared with the last quarter of 2020, even though the industrial sector was running on all cylinders, despite being hampered by supply chain distortions, especially the semiconductor shortage. As the lockdown measures were gradually lifted later on, consumer spending accelerated again, leading to a strong growth recovery in the second quarter. The government kept supporting the economy with a series of measures, cushioning the impact of the pandemic for corporations and the labour market. The number of defaults fell to an all-time low, though the number of voluntary cessations rose quite sharply. Developments in the labour market were markedly less volatile than in 2020, with employment growth in most of the months. Only in March, with lockdown measures at a peak, employment fell. The unemployment rate fell steadily to 3.2% at the end of June. With large parts of the economy closed, forced consumer savings rose to a new peak in March. In May savings had already declined but were still elevated compared to pre-pandemic levels.

Housing and mortgage market

The Dutch housing market was severely distorted during the reporting period as a result of changes in the property transfer tax, which made underlying trends hard to discern. An increase in the tax for investors from 2% to 8% sharply increased demand at year-end 2020, followed by a large drop at the start of 2021. Conversely, skipping the tax altogether for first-time buyers in the housing market caused a deferral of housing acquisitions by this group of buyers at the end of 2020, followed by a strong growth at the start of 2021. This effect was even more pronounced as a tax of 2% for first-time buyers was reinstated for houses over € 400,000 after March. All things considered, these tax measures caused a large rise in the number of transactions in the first months of the year, while the supply of available homes kept falling. Thus house prices kept accelerating, to 14.6% in June, compared with the same month last year. Only after April the number of transactions started to fall below levels of the same months of the preceding year. Over the whole period, transactions were 12.1% higher than over the same period of 2020.

Interest rates and government bond yields

The European Central Bank (ECB) kept accommodating the economy with its Pandemic Emergency Purchase Programme (PEPP) and Asset Purchase Programme. Despite these efforts, bond yields started a steady rise at the beginning of the year as the US economy accelerated sharply, helped by large support packages by the new Biden Administration. As the vaccination programmes in developed economies started to get up to speed, financial markets became less worried about growth prospects and more concerned about inflation. The ECB felt forced to accelerate its PEPP purchases to control the rise in yields.

Dutch ten-year yields rose from -0.5% in early 2021 to a +0.05% peak in May. The reporting period closed at a yield level of -0.1%.

Financial results

The chapters on Financial results and Risk management contain information that is required under IAS 34. This information is labelled 'Reviewed'.

Profit and loss account

in € millions	1st half 2021	1st half 2020	Change	2nd half 2020
Net interest income	392	436	-10%	414
Net fee and commission income	20	29	-31%	17
Other income	5	15	-67%	12
Total income	**417**	**480**	**-13%**	**443**
Operating expenses excluding regulatory levies	282	268	5%	334
Regulatory levies	40	24	67%	26
Total operating expenses	**322**	**292**	**10%**	**360**
Impairment charges of financial assets	-31	45	--	-7
Total expenses	**291**	**337**	**-14%**	**353**
Result before taxation	**126**	**143**	**-12%**	**90**
Taxation	32	37	-14%	22
Net result	**94**	**106**	**-11%**	**68**
Addition to restructuring provision	--	--		-34
Total incidental items[1]	**--**	**--**		**-34**
Adjusted net result[1]	**94**	**106**	**-11%**	**102**
Cost/income ratio (including regulatory levies)[2]	77.2%	60.8%		81.3%
Adjusted cost/income ratio (including regulatory levies)[3]	77.2%	60.8%		71.1%
Return on Equity (RoE)[4]	5.5%	6.2%		4.0%
Adjusted Return on Equity (RoE)[5]	5.5%	6.2%		5.9%
Net interest margin (bps)[6]	1.14%	1.35%		1.25%
Cost/assets ratio as a % of average assets[7]	0.82%	0.83%		1.01%
Adjusted cost/assets ratio as a % of average assets[8]	0.82%	0.83%		0.87%

1 For better insight in the underlying performance a distinction is made between the reported and adjusted net result. An adjustment is made for certain incidental items, which have an impact on net result larger than € 15 million and have an incidental nature and therefore limit insight in underlying developments.
2 Total operating expenses including regulatory levies / total income.
3 Total operating expenses including regulatory levies and adjusted for the impact of incidental items (gross amounts) / total income adjusted for the impact of incidental items.
4 Net result / average month-end total equity for the reporting period.
5 Net result adjusted for incidental items / average month-end total equity for the reporting period.
6 Net interest income / average month-end total assets for the reporting period.
7 Operating expenses adjusted for regulatory levies / average month-end total assets for the reporting period.
8 Operating expenses adjusted for regulatory levies and incidental items / average month-end total assets for the reporting period.

Net profit

Compared with the first half of 2020, net profit dropped by € 12 million to € 94 million (-11%). This drop was attributable to € 63 million lower total income and € 30 million higher total operating expenses. This was partly compensated by a € 76 million swing in impairment charges of financial assets.

In comparison with the second half of 2020, net profit increased by € 26 million. The second half of 2020 included € 34 million in incidental items, consisting entirely of a restructuring provision of € 45 million before tax in connection with the transformation to a new organisational structure and agile way of working. Net profit, adjusted for incidental items, decreased by € 8 million. This drop was mainly attributable to € 26 million lower total income. Furthermore, total operating expenses increased by € 7 million. This was partly compensated by a € 24 million higher reversal of impairment charges of financial assets.

Income

Breakdown of income

in € millions	1st half 2021	1st half 2020	Change	2nd half 2020
Net interest income	392	436	-10%	414
Net fee and commission income	20	29	-31%	17
Investment income	-2	8	-125%	9
Other results on financial instruments	7	7	--	2
Other operating income	--	--	--	1
Total income	**417**	**480**	**-13%**	**443**
Net interest margin (bps)	1.14%	1.35%		1.25%

Net interest income

Net interest income decreased by € 44 million to € 392 million (-10%) and the net interest margin decreased to 1.14% (first half of 2020: 1.35%). This was mainly due to lower income on mortgages as a result of interest rate renewals at lower rates. Furthermore, new mortgage production was concluded at substantially lower rates than the rates of repaid mortgages. The residential mortgage portfolio, excluding IFRS value adjustments[2], showed a slight increase during the first half of 2021 to € 46.3 billion.

In addition, the interest paid on liquidities deposited with financial institutions, such as the European Central Bank, increased.

Lower income on mortgages and higher interest paid on liquidities was only partly compensated by lower interest expenses on savings. Due to the persistently low and negative interest rates on the financial markets and people saving more at the same time, de Volksbank took several measures. As from 1 August 2020, savings deposits of business customers in excess of € 1 million were charged 0.5% interest. The threshold for charging interest has been lowered gradually in line with the market. As from 1 March 2021, both private and business customers with deposits in excess of € 250,000 were also charged 0.5% interest. As from 1 July 2021, de Volksbank brands charge 0.5% interest per year on that part of the balance that exceeds € 100,000. The negative interest rate is calculated per individual current, savings and investment account. This will affect around € 6 billion in deposits, equating to approximately 11% of total deposits and approximately 4% of our savings customers. However, customers continue to save despite historically low interest rates. We saw a substantial increase in savings during the Covid-19 pandemic, which reflected the growth of the entire savings market. In the first half of 2021, savings deposits at de Volksbank grew by € 2.6 billion to € 44.7 billion and compared to the end of June 2020 savings grew by € 4.2 billion. Our market share increased slightly to 11.0%, from 10.8% at year-end 2020.

Net interest income was positively impacted by a different classification of distribution fees paid by RegioBank. In the fourth quarter of 2020, RegioBank changed its commission fee model from a combined savings balance and customer model to a full-customer model. As a consequence, distribution fees paid are classified as fee and commission expenses instead of interest expenses. The impact of this modified classification amounted to approximately € 13 million compared to the first half of 2020 and € 7 million compared to the second half of 2020.

Compensation received for loss of interest on account of early repayments of mortgages remained high as a result of a high mortgage refinancing market. This compensation amounted to € 38 million and was up compared with the level of the first half of 2020 (€ 30 million) and the second half of 2020 (€ 26 million).

Compared with the second half of 2020, net interest income dropped by € 22 million. This decrease was mainly attributable to lower income on mortgages and to increased interest paid on liquidities deposited with financial institutions.

Net fee and commission income

Net fee and commission income decreased by € 9 million to € 20 million due to the aforementioned classification change in Regiobank's commission fee model. Excluding this change, net fee and commission rose by € 4 million. This increase was mainly driven by higher

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

assets under management, which amounted to € 4.2 billion compared with € 3.9 billion at year-end 2020, and € 3.4 billion at the end of June 2020.

Investment income

Investment income amounted to € 2 million negative compared to € 8 million positive in the first half of 2020 and € 9 million positive in the second half. The decrease compared with the first and second half of 2020 was attributable to lower realised results on fixed-income investments sold as part of asset and liability management and the optimisation of the investment portfolio.

Other results on financial instruments

Other results on financial instruments amounted to € 7 million, at the same level as in the first half of 2020. Lower treasury results were compensated by higher results on hedge ineffectiveness, among other things in relation to mortgages.

Expenses

Operating expenses and FTEs

in € millions	1st half 2021	1st half 2020	Change	2nd half 2020
Staff costs	198	186	6%	241
Depreciation of (in)tangible assets	11	14	-21%	15
Other operating expenses	113	92	23%	104
Of which regulatory levies	*40*	*24*	*67%*	*26*
Total operating expenses	**322**	**292**	**10%**	**360**
Incidental addition to restructuring provision (staff costs)	--	--	--	45
Adjusted operating expenses	**322**	**292**	**10%**	**315**
FTE				
Total number of internal FTEs	3,228	3,051	6%	3,171
Total number of external FTEs	766	609	26%	648
Total number of FTEs	**3,994**	**3,660**	**9%**	**3,819**

Total operating expenses rose by € 30 million to € 322 million, of which € 16 million was related to higher regulatory levies. Regulatory levies amounted to € 40 million, of which € 11 million linked to the resolution fund contribution (first half of 2020: € 8 million), and € 29 million to the ex-ante Deposit Guarantee Scheme (DGS) contribution, as against € 16 million in the first half of 2020. The growth in covered deposits was the main cause of the increase in the DGS contribution.

Excluding regulatory levies, operating expenses rose by € 14 million to € 282 million, because of € 21 million higher staff costs[3]. In comparison with year-end 2020, the total number of FTEs increased by 175 to 3,994: the number of internal employees rose by 57 FTEs to 3,228 and the number of external employees by 118 FTEs to 766. The increase in the total number of FTEs was mainly caused by the implementation of the strategic plan in the areas of IT, support in the transition to a new way of working and the SME finance proposition. Furthermore, total FTEs related to customer integrity and at Service Center Mortgages increased.

The transition to a uniform and agile way of working with independent customer and service teams will result in more efficient cooperation and a flatter organisation, which is now expected to bring about job cuts of 400-450 FTEs by 2023. In parallel with this process, new employees having the knowledge and skills needed to implement the strategy have been and will be hired, some signs of which already became apparent in the first half of 2021. How many jobs are involved over the next few years partly depends on the growth rate.

The impact of higher staff costs was partly compensated by a positive revaluation of € 8 million for a previous contribution made under the DGS in relation to the insolvency of DSB. In July it was announced that the loan portfolio of DSB, which went bankrupt in 2009, had been taken over. This recent information is included in the positive revaluation processed in first half of 2021.

3 As from 2021, costs related to outsourced services are reclassified from external staff expenses to information technology costs (included in other operating expenses). The reclassification impact compared to the first half of 2020 amounted to approximately € 9 million.

Adjusted operating expenses divided by average total assets decreased slightly from 83 basis points (bps) in the first half of 2020 to 82 bps.

Compared with the second half of 2020, total operating expenses were down by € 38 million, driven by a one-off restructuring charge of € 45 million in the second half of 2020. Excluding the one-off restructuring charge, total operating expenses were € 7 million higher. This increase was driven by € 14 million higher regulatory levies, due to the fact that the annual contribution to the resolution fund is always fully recognised in the first half of the year. Excluding the one-off restructuring charge and regulatory levies, adjusted operating expenses amounted to € 282 million, compared with € 289 million. This decline was mainly the result of the aforementioned positive revaluation.

Impairment charges financial assets Reviewed

in € millions	1st half 2021	1st half 2020	Change	2nd half 2020
Residential mortgages	-21	33	--	-4
Consumer loans	-1	1	--	-2
SME loans	-7	5	--	3
Other corporate and government loans	-3	1	--	-1
Investments	1	1	--	-1
Other	--	4	--	-2
Total impairment charges of financial assets	**-31**	**45**	**--**	**-7**
Cost of risk total loans[1]	-0.13%	0.18%		-0.04%
Cost of risk residential mortgages[1]	-0.09%	0.14%		-0.02%
Cost of risk SME loans[1]	-1.98%	1.56%		0.74%

1 Impairment charges / average month-end portfolio exposure for the reporting period.

Impairment charges of financial assets consisted of a € 31 million reversal, compared with a charge of € 45 million in the first half of 2020 in connection with the Covid-19 pandemic. A detailed description of the credit loss provisioning is set out in the chapter Credit risk.

Residential mortgages
Impairment charges on residential mortgages consisted of a reversal of € 21 million, compared with a charge of € 33 million in the first half of 2020. The reversal followed from an improved economic outlook, most notably higher residential house prices. The positive impact from the improved outlook was partly offset by the application of a higher expert overlay as the uncertainty remains high. De Volksbank introduced this expert overlay in the second half of 2020 to reflect the high degree of uncertainty about economic developments in the Netherlands and the financial resilience of customers whose incomes are negatively affected by the crisis.

The impairment charge in the first half of 2020 was attributable to the deteriorated economic outlook used to determine the credit loss provision. The second half of 2020 included a reversal of € 4 million. As from the second half of 2020, house prices continued to develop positively. Hence the economic outlook used to determine the credit loss provision was not as negative as it was in the first half of 2020. This was partly compensated by applying the expert overlay.

Consumer loans
Impairment charges on other consumer loans consisted of a reversal of € 1 million, compared with a € 1 million charge in the first half of 2020 and a reversal of € 2 million in the second half of 2020, with the fluctuations mainly prompted by model improvements.

SME loans
Impairment charges on SME loans consisted of a reversal of € 7 million as a result of an improved economic outlook, in particular a decrease in the expected number of insolvencies. Furthermore, there was a decrease in stage 3 loans.

In the first half of 2020, impairment charges amounted to € 5 million as a result of an increase in stage 2 loans owing to the deteriorated economic outlook used in scenarios to determine the credit loss provision.

Other corporate and government loans

Impairment charges on other corporate and government loans consisted of a reversal of € 3 million, compared with a charge of € 1 million in the first half of 2020. This reversal was caused by decreased credit risk on one specific loan provided.

Other

Other impairment charges were nil. In the first half of 2020, these impairment charges totalled € 4 million and related almost entirely to an extension of the discounting period of the principal and the expected interest on a loan granted in connection with DSB's insolvency.

Taxation

De Volksbank recognised € 32 million in corporate income tax on the profit for the first half of 2021, corresponding to an effective tax rate of 25%, in line with the nominal rate of 25%.

Risk management

Credit risk

Reviewed

in € millions	30-06-2021	31-12-2020	30-06-2020
Residential mortgages[1]	46,278	46,236	46,664
Consumer loans	54	63	70
SME loans	768	724	690
Other corporate and government loans	2,069	2,113	2,010
Total loans and advances to customers[2]	**49,169**	**49,136**	**49,434**
CREDIT RISK INDICATORS			
Total loans and advances to customers			
Loans and advances in stage 3	566	678	688
Stage 3 ratio	1.2%	1.4%	1.4%
Stage 3 coverage ratio	11.3%	11.4%	13.4%
Residential mortgage loans			
Residential mortgage loans in stage 3	491	543	549
Stage 3 ratio	1.1%	1.2%	1.2%
Stage 3 coverage ratio	7.5%	6.4%	9.3%
In arrears	0.8%	1.2%	1.3%
NHG-guaranteed	28%	29%	29%
Weighted average indexed LtV	58%	61%	64%

1 Excluding IFRS value adjustments.
2 Gross carrying amounts.

Loans and advances to customers

Total gross loans and advances to customers remained virtually stable at € 49.2 billion in the first half of 2021. Residential mortgages and SME loans showed slight growth, while consumer loans and other corporate and government loans decreased fractionally.

The provision for credit losses fell from €171 million as at 31 December 2020 to € 142 million as at 30 June 2021, predominantly driven by the improvements of macroeconomic prospects. The stage 3 ratio (stage 3 loans expressed as a percentage of total loans and advances) improved to 1.2%. The stage 3 coverage ratio (provision for stage 3 loans as a percentage of total stage 3 loans) remained virtually stable.

Update Covid-19 crisis Reviewed

General approach to customer services

In response to the Covid-19 crisis we adjusted our approach to customer services in order to support customers who suffer from the economic impact of the pandemic.

We still offer our retail customers who foresee payment problems on their mortgage or consumer loan due to Covid-19 the opportunity to take a full or partial payment holiday under certain conditions.

We offer similar support to our SME customers. Eligible customers can still apply for the Small Loans Covid Guarantee Scheme (*Kleine Kredieten Corona garantieregeling; KKC*) i.e. credit facilities between € 10,000 and € 50,000 largely guaranteed by the Dutch government.

In April 2020, in reaction to the special situation around Covid-19, the European Banking Authority (EBA) published guidelines advising banks, among others, on how to classify exposures subject to Covid-19 support measures for the purpose of provisioning calculation. In these guidelines, the EBA listed conditions to qualify for general payment moratoria. According to the EBA guidelines, customers receiving Covid-19-related support measures and falling within the scope of the general payment moratoria do not automatically need to be qualified as forborne and are therefore placed in stage 2. Within de Volksbank only certain measures available to SME customers qualified for general payment moratoria. Although the general payment moratoria were extended by the EBA until 31 March 2021, we no longer regard support measures granted to our SME customers after September 2020 as general payment moratoria. This means that in the stage allocation process we do not distinguish between customers who fall under general payment moratoria and those who do not. Currently, all customers with a Covid-19-related payment arrangement are considered forborne and are placed at least in stage 2.

Covid-19 support measures

At the end of June 2021 1,950 customers made use of the customer support offered in response to the Covid-19 pandemic. A slight increase compared to year-end 2020. The total exposure is slightly down due to full or partial repayments. Of the total exposure, 23% was allocated in stage 3. The amount of provisions allocated to customers who received a Covid-19 support measures, amounted to € 20 million, of which € 14 million was allocated to customers that ended up in default despite the support measures.

Most of the payment holidays granted to our SME customers under moratoria expired by the end of 2020. The Small Loans Covid Guarantee Scheme, announced on 7 May 2020, which had an original expiration date of 31 December 2020 and was subsequently extended by the Dutch state to 31 December 2021, was used by 76 customers (year-end 2020: 56) for a total exposure of € 1 million.

Covid-19 support measures

		Gross carrying amount in € millions						Provision for credit losses
	Number of customers	Active	Expired	Total	of which stage 1	of which stage 2	of which stage 3	Total
30 JUNE 2021								
Residential mortgages	1,495	15	379	**394**	--	310	84	**10**
Consumer loans	85	--	--	**--**	--	--	--	**--**
SME loans	367	4	107	**111**	36	42	33	**10**
Other corporate and government loans	3	--	--	**--**	--	--	--	**--**
Total loans and advances to customers with Covid-19 measure	**1,950**	**19**	**486**	**505**	**36**	**352**	**117**	**20**
31 DECEMBER 2020								
Residential mortgages	1,502	26	373	**399**	--	315	84	**10**
Consumer loans	89	--	1	**1**	--	--	1	**--**
SME loans	339	5	103	**108**	55	22	31	**11**
Other corporate and government loans	3	--	--	**--**	--	--	--	**--**
Total loans and advances to customers with Covid-19 measure	**1,933**	**31**	**477**	**508**	**55**	**337**	**116**	**21**

Definition of Default Reviewed

In 2018, the supervisory authorities tightened the guidelines for determining the default status. European banks were obliged to bring their definitions in line with the guidelines before 1 January 2021.

De Volksbank adjusted its policies in line with the new definition of default. In the fourth quarter of 2020, the ECB carried out the Internal Model Investigation (IMI) of the new definition of default and of the Advanced Internal Ratings Based (AIRB) model for the residential mortgage portfolio, which is based on this new definition. De Volksbank is currently waiting for the final approval of the ECB to start using the new default definition in its reporting and capital requirement calculation. Upon approval, the new default definition will be implemented for both capital and provisioning purposes.

Expert overlay Reviewed

In response to the extraordinary level of uncertainty related to the consequences of the Covid-19 pandemic and of the subsequent economic lockdown, de Volksbank introduced the expert overlay in the second half of 2020. An expert overlay is applied to the credit loss provision for residential mortgages and SME loans.

To estimate the amount of this expert overlay for residential mortgages, we considered among other things macroeconomic stress reflected in a drop in house prices and new potential second-order effects of an economic downturn such as increased credit risk for customers earning their income in a sector directly impacted by lockdown measures. The aforementioned second-order effects form a significant part of the expert overlay. The house price index is a macroeconomic risk driver in the ECL model that has an impact on a customer's probability of default (PD) and loss expected in case of default (LGD). This affects the provisions in all stages.

For SME loans an expert overlay was applied based on the top down assessment that all stage 1 customers active in sectors directly impacted by the pandemic (such as hospitality and travel industry and non-essential stores) show a significant increase in credit risk even if they do not face problems at the moment of evaluation. To cover this risk, the stage 1 provisions for customers in the aforementioned sectors were increased to the level of stage 2 provisions.

The expert overlay will be phased out when macroeconomic conditions continue to improve and the outlook remains positive, when the risks covered by the expert overlay materialise in asset quality deterioration or when the degree of uncertainty due to the Covid-19 pandemic and related government measures lessens. In those cases, elements of the overlay will no longer be needed.

Forward-looking information Reviewed

Macroeconomic scenarios used in credit risk models

In the first half of 2021, housing market developments remained insensitive to problems elsewhere in the economy. The demand for owner-occupied homes remained high, partly because of the persistently low mortgage rates. The house price growth rate has not slowed, on the contrary, it accelerated in the first half of the year. In addition, the number of insolvencies and the unemployment rate remain at very low levels. The aforementioned developments had a positive impact on the macroeconomic outlook.

The weight of the downward scenario is reduced from 35% to 30%, in favour of the upward scenario weight, which is raised from 15% to 20%. Next to the actuals mentioned above, key reasons for this shift are the acceleration of the vaccine programmes and more concrete prospects of a full reopening of the Dutch economy. The base scenario is still awarded the greatest probability, with an unchanged weight of 50%.

Sensitivity analysis to scenario weights

The sensitivity analyses of the residential mortgage portfolio in the tables below show de Volksbank's macroeconomic projections for the next four years. They also show the sensitivity of provisioning levels to the upward, base and a downward scenarios weights.

If we look at the expectations as at 30 June 2021, we see that the provision for residential mortgages would increase by € 28 million in a downward scenario, decrease by € 31 million in an upward scenario and by € 2 million in a base scenario, all in the case of a 100% weight. In all three situations, sensitivity of the provisions to changes in scenario weights is lower than it was in 2020, which is largely attributable to the improved macroeconomic outlook and lower weight of the downward scenario.

Sensitivity of macroeconomic expectations on the loan loss provisions for SME loans is less significant. The provision for SME loans would increase by € 1 million in a downward scenario, decrease by € 2 million in an upward scenario, and remain stable in a base scenario, all in the assuming a 100% weight.

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

Sensitivity to macroeconomic parameters

The sensitivity of the loan loss provisions of residential mortgages is mostly driven by house prices. The house price index was chosen for macroeconomic shock since this risk driver has the largest impact on the PD and LGD of retail customers, mostly affecting stage 1 and stage 2 provisions. De Volksbank has estimated the impact of a 15% decline in house prices (year-end 2020: 10% decline) and has taken this into consideration in determining the expert overlay.

Sensitivity to the scenario weights 30 June 2021 Reviewed

	Macroeconomic parameter	30-6-2022	30-6-2023	30-6-2024	30-6-2025	Weight	Unweighted ECL	Reported (weighted) ECL
RESIDENTIAL MORTGAGES								
Up	Relative change in house price index	8.3%	4.1%	3.8%	3.8%	20%	€ 66 million	
	Unemployment rate	3.1%	2.5%	2.5%	2.5%			
Base	Relative change in house price index	3.2%	3.1%	3.8%	3.8%	50%	€ 95 million	€ 97 million
	Unemployment rate	4.4%	4.3%	4.4%	4.4%			
Down	Relative change in house price index	-1.9%	4.4%	3.8%	3.8%	30%	€ 125 million	
	Unemployment rate	5.8%	5.4%	5.4%	5.4%			
SME loans								
Up	Unemployment rate	3.1%	2.5%	2.5%	2.5%	20%	€ 28 million	
	Number of bankruptcies (monthly)	266	288	284	281			
Base	Unemployment rate	4.4%	4.3%	4.4%	4.4%	50%	€ 29 million	€ 29 million
	Number of bankruptcies (monthly)	306	373	372	369			
Down	Unemployment rate	5.8%	5.4%	5.4%	5.4%	30%	€ 31 million	
	Number of bankruptcies (monthly)	343	466	460	456			

Sensitivity to the scenario weights 31 December 2020 Reviewed

	Macroeconomic parameter	31-12-2021	31-12-2022	31-12-2023	31-12-2024	Weight	Unweighted ECL	Reported (weighted) ECL
RESIDENTIAL MORTGAGES								
Up	Relative change in house price index	7.3%	5.2%	3.7%	3.7%	15%	€ 69 million	
	Unemployment rate	5.4%	4.2%	4.0%	4.0%			
Base	Relative change in house price index	-1.8%	3.2%	3.7%	3.7%	50%	€ 104 million	€ 111 million
	Unemployment rate	5.8%	5.0%	5.0%	5.0%			
Down	Relative change in house price index	-5.3%	1.2%	3.7%	3.7%	35%	€ 141 million	
	Unemployment rate	8.1%	7.1%	6.8%	6.8%			
SME loans								
Up	Unemployment rate	3.1%	2.5%	2.5%	2.5%	15%	€ 36 million	
	Number of bankruptcies (monthly)	363	407	397	394			
Base	Unemployment rate	4.4%	4.3%	4.4%	4.4%	50%	€ 37 million	€ 38 million
	Number of bankruptcies (monthly)	386	472	468	464			
Down	Unemployment rate	5.8%	5.4%	5.4%	5.4%	35%	€ 41 million	
	Number of bankruptcies (monthly)	471	743	767	761			

Main developments Reviewed

Residential mortgages

Developments in residential mortgages
De Volksbank's residential mortgage portfolio, excluding IFRS value adjustments, increased slightly to € 46.3 billion (year-end 2020: € 46.2 billion) as new mortgage production was broadly offset by repayments.

De Volksbank's new mortgage production amounted to € 3.3 billion (first half of 2020: € 3.0 billion). The market share of new mortgages was 4.9%, a decrease compared with the first half of 2020 (5.6%). This decline was due to fierce competition and the ever increasing demand for mortgages with a fixed-rate term of 15 years or more.

Repayments amounted to € 3.1 billion compared to € 2.9 billion in the first half of 2020. This was mainly the result of an increase in the number of people moving house, but also of the rising mortgage refinancing volumes.

Interest rate renewals amounted to € 1.3 billion, a decrease in comparison with the first half of 2020 (€ 1.7 billion), which was mainly due to lower regular renewals.

Provision for credit losses for residential mortgages
In the first half of 2021, the loan loss provision for residential mortgages declined from € 111 million to € 97 million. The release in model provisions thanks to the improved macroeconomic scenarios was partially offset by an increase in the expert overlay. The increase was driven by the unprecedented uncertainty of the economic outlook and our retail customers' financial resilience. Compared with year-end 2020, a relatively larger part of the expert overlay is allocated to stage 1.

The stage 1 provision increased from € 24 million to € 30 million, following the inflow of new customers and the reassessment of the expert overlay for stage 1.

The stage 2 provision dropped significantly from € 52 million to € 30 million, resulting from the improved macroeconomic scenarios and recovery of customers to stage 1, i.e. less customers in arrears and less customers with an interest-only mortgage in a potentially high risk category. One of the determinants of the risk is outstanding loan-to-value (LtV). The surge in house prices reduces the LtV leading to a lower exposure under a more stringent provision methodology for potentially high-risk interest-only mortgages.

The stage 3 provision increased by € 2 million to € 37 million, mainly due to an elevated expert overlay.

Consumer loans
The total loan loss provision for consumer loans decreased from € 12 million to € 10 million, as a result of write-offs, recoveries, and lower expected losses following the upward adjustment of unemployment rate forecasts. Coverage ratios over the stages remained stable.

SME loans
During the first half of 2021, the new production of SME loans continued to grow and the portfolio volume grew by € 44 million to € 768 million. The credit loss provision decreased from € 38 million to € 29 million. The actuals and less pessimistic forecast of bankruptcies drive down the provisions for SME customers. In the first half of 2021, a group of customers with high LtVs recovered from stage 3 after a favourable unlikely-to-pay assessment.

Other corporate and government loans
The credit loss provision for other corporate and government loans decreased from € 5 million to € 2 million. This can almost fully be attributed to the stage transfer of one formerly defaulted customer from stage 3 to stage 2, generating a € 3 million provision release.

Loans and advances to customers by stage as at 30 June 2021 Reviewed

in € millions	Gross carrying amount	Provision for credit losses	Book value	Stage ratio	Coverage ratio
STAGE 1					
Residential mortgages	43,638	-30	43,608	94.3%	0.1%
Consumer loans	32	--	32	59.3%	0.0%
SME loans	600	-7	593	78.1%	1.2%
Other corporate and government loans	1,897	-1	1,896	91.7%	0.1%
Total loans and advances to customers stage 1	**46,167**	**-38**	**46,129**	**93.9%**	**0.1%**
STAGE 2					
Residential mortgages	2,149	-30	2,119	4.6%	1.4%
Consumer loans	12	-1	11	22.2%	8.3%
SME loans	104	-4	100	13.5%	3.8%
Other corporate and government loans	171	-1	170	8.3%	0.6%
Total loans and advances to customers stage 2	**2,436**	**-36**	**2,400**	**5.0%**	**1.5%**
STAGE 3					
Residential mortgages	491	-37	454	1.1%	7.5%
Consumer loans	10	-9	1	18.5%	90.0%
SME loans	64	-18	46	8.3%	28.1%
Other corporate and government loans	1	--	1	0.0%	0.0%
Total loans and advances to customers stage 3	**566**	**-64**	**502**	**1.2%**	**11.3%**
TOTAL STAGE 1, 2 AND 3					
Residential mortgages	46,278	-97	46,181		0.2%
Consumer loans	54	-10	44		18.5%
SME loans[1]	768	-29	739		3.8%
Other corporate and government loans	2,069	-2	2,067		0.1%
Total loans and advances to customers excluding IFRS value adjustments	**49,169**	**-138**	**49,031**		**0.3%**
IFRS value adjustments[2]	1,098		1,098		
Total loans and advances to customers	**50,267**	**-138**	**50,129**		**0.3%**
Off-balance sheet items stage 1	3,191	-2	3,189		0.1%
Off-balance sheet items stage 2	37	--	37		0.0%
Off-balance sheet items stage 3	8	-2	6		25.0%
Total off-balance sheet items[3]	**3,236**	**-4**	**3,232**		**0.1%**
Total on and off-balance sheet items for loans and advances to customers	**53,503**	**-142**	**53,361**		**0.3%**

1 Gross SME loans include mortgage-backed loans for a gross amount of € 724 million.

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

3 Consists of off-balance sheet facilities (of which € 420 million conditionally revocable), guarantees and repurchase commitments.

Loans and advances to customers by stage as at 31 December 2020 Reviewed

in € millions	Gross carrying amount	Provision for credit losses	Book value	Stage ratio	Coverage ratio
STAGE 1					
Residential mortgages	43,154	-24	43,130	93.3%	0.1%
Consumer loans	38	--	38	60.3%	0.0%
SME loans	558	-6	552	77.1%	1.1%
Other corporate and government loans	1,916	--	1,916	90.7%	0.0%
Total loans and advances to customers stage 1	**45,666**	**-30**	**45,636**	**92.9%**	**0.1%**
STAGE 2					
Residential mortgages	2,539	-52	2,487	5.5%	2.0%
Consumer loans	13	-1	12	20.6%	7.7%
SME loans	86	-5	81	11.9%	5.8%
Other corporate and government loans	154	-1	153	7.3%	0.6%
Total loans and advances to customers stage 2	**2,792**	**-59**	**2,733**	**5.7%**	**2.1%**
STAGE 3					
Residential mortgages	543	-35	508	1.2%	6.4%
Consumer loans	12	-11	1	19.0%	91.7%
SME loans	80	-27	53	11.0%	33.8%
Other corporate and government loans	43	-4	39	2.0%	9.3%
Total loans and advances to customers stage 3	**678**	**-77**	**601**	**1.4%**	**11.4%**
TOTAL STAGE 1, 2 AND 3					
Residential mortgages	46,236	-111	46,125		0.2%
Consumer loans	63	-12	51		19.0%
SME loans[1]	724	-38	686		5.2%
Other corporate and government loans	2,113	-5	2,108		0.2%
Total loans and advances to customers excluding IFRS value adjustments	**49,136**	**-166**	**48,970**		**0.3%**
IFRS value adjustments[2]	1,572	--	1,572		
Total loans and advances to customers	**50,708**	**-166**	**50,542**		**0.3%**
Off-balance sheet items stage 1	2,754	-2	2,752		0.1%
Off-balance sheet items stage 2	46	-1	45		2.2%
Off-balance sheet items stage 3	15	-2	13		13.3%
Total off-balance sheet items[3]	**2,815**	**-5**	**2,810**		**0.2%**
Total on and off-balance sheet items for loans and advances to customers	**53,523**	**-171**	**53,352**		**0.3%**

1 Gross SME loans include mortgage-backed loans for a gross amount of € 674 million.

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

3 Consists of off-balance sheet facilities (of which € 428 million conditionally revocable), guarantees and repurchase commitments.

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

	Residential mortgages[1]		Consumer loans		SME loans		Other corporate and government		Total	
in € millions	**1H21**	**2020**	**1H21**	**2020**	**1H21**	**2020**	**1H21**	**2020**	**1H21**	**2020**
Opening balance	**47,808**	**48,161**	**63**	**87**	**724**	**704**	**2,113**	**1,626**	**50,708**	**50,578**
Reclassifications	--	-377[2]	--	--	--	-4	--	--	--	-381
Originated or purchased	3,354[3]	6,100[3]	--	--	106	83	1,920[4]	3,770[4]	5,380	9,953
Change in current accounts	--	--	-7	-21	-10	1	-1	6	-18	-14
Matured or sold	-3,313[3]	-6,453[3]	--	-1	-50	-52	-1,962[4]	-3,280[4]	-5,325	-9,786
Write-offs	-2	-4	-2	-2	-2	-4	--	--	-6	-10
Change in fair value as a result of hedge accounting	-454	414	--	--	--	--	--	--	-454	414
Exchange rate differences	--	--	--	--	--	--	--	-11	--	-11
Other movements	-17	-33	--	--	--	-4	-1	2	-18	-35
Closing balance	**47,376**	**47,808**	**54**	**63**	**768**	**724**	**2,069**	**2,113**	**50,267**	**50,708**

1 Including IFRS value adjustments.

2 Concerns home construction accounts as at 1-1-2020.

3 The advances and redemptions mentioned in this table include conversions of € 91 million for new production (2020: € 232 million) and -/- € 184 million for redemptions (2020: -/- € 336 million).

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

Changes in the provisions for credit losses Reviewed

	Residential mortgages		Consumer loans		SME loans		Other corporate and government		Total		Off-balance[1]	
in € millions	**1H21**	**2020**	**1H21**	**2020**	**1H21**	**2020**	**1H21**	**2020**	**1H21**	**2020**	**1H21**	**2020**
Opening balance	**111**	**71**	**12**	**14**	**38**	**31**	**5**	**3**	**166**	**119**	**5**	**6**
Change in credit risk	-28	-5	--	1	-5	3	-3	2	-36	1	-2	-2
Originated or purchased	2	7	--	--	1	1	--	--	3	8	--	1
Matured or sold	-5	-6	--	--	-2	-4	--	--	-7	-10	--	--
Change in models	--	9	--	-1	--	--	--	--	--	8	--	--
Change in risk parameters[2]	19	40	--	--	-1	8	--	--	18	48	1	--
Write-offs	-2	-5	-2	-2	-2	-1	--	--	-6	-8	--	--
Closing balance	**97**	**111**	**10**	**12**	**29**	**38**	**2**	**5**	**138**	**166**	**4**	**5**

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

2 Related to the expert overlay.

Overviews of residential mortgages

Exposure to residential mortgages 30 June 2021

in € millions	Gross carrying amount	Provision for credit losses	Book value	Stage ratio	Coverage ratio
Stage 1	43,638	-30	43,608	94.3%	0.1%
Stage 2	2,149	-30	2,119	4.6%	1.4%
Stage 3	491	-37	454	1.1%	7.5%
Total stage 1,2,3	**46,278**	**-97**	**46,181**		**0.2%**
IFRS value adjustments[1]	1,098	--	1,098		
Total residential mortgages	**47,376**	**-97**	**47,279**		
Off-balance sheet items stage 1	2,262	-1	2,261		0.0%
Off-balance sheet items stage 2	26	--	26		0.0%
Off-balance sheet items stage 3	5	--	5		0.0%
Total off-balance sheet items[2]	**2,293**	**-1**	**2,292**		**0.0%**
Total on and off-balance sheet items residential mortgages	**49,669**	**-98**	**49,571**		**0.2%**

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

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

Exposure to residential mortgages 31 December 2020

in € millions	Gross carrying amount	Provision for credit losses	Book value	Stage ratio	Coverage ratio
Stage 1	43,154	-24	43,130	93.3%	0.1%
Stage 2	2,539	-52	2,487	5.5%	2.0%
Stage 3	543	-35	508	1.2%	6.4%
Total stage 1,2,3	**46,236**	**-111**	**46,125**		**0.2%**
IFRS value adjustments[1]	1,572	--	1,572		
Total residential mortgages	**47,808**	**-111**	**47,697**		
Off-balance sheet items stage 1	1,873	--	1,873		0.0%
Off-balance sheet items stage 2	36	-1	35		2.8%
Off-balance sheet items stage 3	7	--	7		0.0%
Total off-balance sheet items[2]	1,916	-1	1,915		0.1%
Total on and off-balance sheet items residential mortgages	**49,724**	**-112**	**49,612**		**0.2%**

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

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

Residential mortgages in arrears 30 June 2021

in € millions	Gross carrying amount	No arrears	≤ 30 days in arrears	> 30 days ≤ 90 days in arrears	> 90 days in arrears	% in arrears
Stage 1	43,638	43,638	--	--	--	0.0%
Stage 2	2,149	2,005	106	38	--	6.7%
Stage 3	491	268	34	77	112	45.4%
Subtotal	**46,278**	**45,911**	**140**	**115**	**112**	**0.8%**
IFRS value adjustments[1]	1,098					
Total	**47,376**	**45,911**	**140**	**115**	**112**	

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

Residential mortgages in arrears 31 December 2020

in € millions	Gross amount	No arrears	≤ 30 days in arrears	> 30 days ≤ 90 days in arrears	> 90 days in arrears	% in arrears
Stage 1	43,154	43,154	--	--	--	0.0%
Stage 2	2,538	2,279	174	85	--	10.2%
Stage 3	544	251	50	107	136	53.9%
Subtotal	**46,236**	**45,684**	**224**	**192**	**136**	**1.2%**
IFRS value adjustments[1]	1,572					
Total	**47,808**	**45,684**	**224**	**192**	**136**	

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

Residential mortgages by LtV bucket

	30-06-2021					31-12-2020				
in € millions[1]	**Stage 1**	**Stage 2**	**Stage 3**	**Total**		**Stage 1**	**Stage 2**	**Stage 3**	**Total**	
NHG[2]	12,084	438	84	12,606	28%	12,039	503	90	12,632	29%
- of which LtV ≤ 75%	9,380	249	61	9,690	22%	8,381	267	52	8,700	20%
- of which LtV >75 ≤ 100%	2,665	177	20	2,862	6%	3,627	215	34	3,876	9%
- of which LtV >100 ≤ 110%	33	6	1	40	0%	22	11	1	34	0%
- of which LtV >110 ≤ 125%	2	3	1	6	0%	5	5	2	12	0%
- of which LtV > 125%	4	3	1	8	0%	4	5	1	10	0%
Non-NHG	29,719	1,666	397	31,782	72%	29,255	1,975	442	31,672	71%
- of which LtV ≤ 75%	24,993	898	223	26,114	59%	22,798	940	221	23,959	54%
- of which LtV >75 ≤ 100%	4,605	669	135	5,409	12%	6,295	869	163	7,327	17%
- of which LtV >100 ≤ 110%	77	33	9	119	0%	106	66	20	192	0%
- of which LtV >110 ≤ 125%	22	41	14	77	0%	37	43	12	92	0%
- of which LtV > 125%	22	25	16	63	0%	19	57	26	102	0%
Principal amounts excluding savings deposits	**41,803**	**2,104**	**481**	**44,388**	**100%**	**41,294**	**2,478**	**532**	**44,304**	**100%**
Provision for credit losses				-97					-111	
IFRS value adjustments[3]				1,098					1,572	
Savings deposits				1,890					1,932	
Total residential mortgages				**47,279**					**47,697**	
Weighted average indexed LtV				**58%**					**61%**	

1 LtV based on indexed market value of collateral.

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

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

Non-financial risks

Operational risk
Since March 2020, at the beginning of the Covid-19 pandemic, de Volksbank has strongly advised its employees to work from home, unless activities require their presence at the office. Working from home did not lead to a significant increase in staff absence, nor did it lead to a decrease in the performance of operational controls and there is no indication that controls are executed less effectively. Also, there are no signs of a decrease in the awareness of the importance to report incidents. We also continue to actively improve processes and the level of control. Covid-19 related incidents are being monitored through regular procedures although they are labelled separately and periodically assessed by management.

In addition, we continued to develop and implement IT General Controls. Apart from some minor incidents and an increased number of cyber attacks, all critical systems and running operations proved to be resilient.

Organisational risk
As part of the strategy 2021-2025, de Volksbank started with the restructuring of the organisation aimed at a more flexible and agile way of working in the first half of 2021. Consequently, the risk function will also undergo restructuring; processes and risk and control frameworks are being redesigned. Based on the reporting and monitoring cycle of the Strategic Roadmap, we will define a new set of Key Risk Indicators (KRIs). The Risk Monitoring Framework (RMF) monitors whether or not the change risk assessments (CRAs) are carried out in accordance with the prescribed methodology and generate a correct risk identification and response. In order to remain in control of the organisational transformations, it is now crucial to follow up on the mitigating measures, to ensure proper reporting and to reassess the risks in a timely manner.

Reputation risk
In the first half of the year, de Volksbank attracted both positive and negative media attention. Positive news included the election of RegioBank as ‘the most customer-friendly bank’ and the successful issuance of green senior non-preferred bonds. Negative news was mainly related to the aftermath of the ‘board dynamics’ issue. The Annual General Meeting of Shareholders in April also generated media attention because of the resignation of two members of the Supervisory Board, in addition to the announced resignation of the Chairman of the Supervisory Board. In the same month we announced the appointment of an interim CFO and an interim Compliance Director. And in the meantime a new Chairman of the Supervisory Board has been appointed. This should contribute to a back-to-normal sentiment.

A key external event in 2021 was the ongoing Covid-19 pandemic and the management of its impact on Dutch society and our organisation. So far, we have not experienced a negative impact on our reputation as a consequence of Covid guidelines issued by the government, supervisory authorities and NVB.

The transition to the agile way of working in relation to the new strategy may lead to an increased outflow of (key) personnel in the 2021-2025 period, which may harm our reputation.

All things considered, the two most important identified risks to cause reputation damage in the second half of this year are the board dynamics issue and the implementation of the agile way of working. Although the effect is negligible to date, we are closely monitoring news flows. Moreover, we have made our staff more aware of handling inside information correctly when using different types of communication tools.

Compliance risk
Over the past few years, changes related to the Dutch Anti-Money Laundering and Anti-Terrorist Financing Act and sanctions regulations followed in rapid succession. The Sixth Anti-Money Laundering Directive (6AMLD) was published in 2020. However, it still need to be transposed into Dutch law. De Volksbank expects this directive to come into force this year and to have a moderate effect on the organisation.
With respect to sanctions risk, de Volksbank has mitigated the risks associated with the new UK sanctions regime by implementing the appropriate measures. Additionally, the Dutch Central Bank (DNB) in its role as supervisory authority concluded an investigation into the cash activities of de Volksbank with an instructive conversation with the Board of Directors on compliance with standards. The results of this investigation were included in the overarching remediation programme regarding client integrity to improve processes and compliance with policies. This remediation plan is currently being executed.

Following a review by the Netherlands Authority for the Financial Markets (AFM), de Volksbank has made a number of major improvements to the Product Approval Review Process (PARP). At the end of June 2021, almost all improvements had been tested and implemented. The quality of the PARP governance, process and content is continuously assessed.

Some implementations of new and/or adjusted prudential legislation have exceeded their regulatory deadline. The compliance risk related to the impact of the (partial) non-compliance with the EBA GL on IRRBB and the EBA guidance on the management of non-performing and forborne exposures is considered an elevated risk. Mitigating measures are in place, and the follow-up is secured by additional funding and prioritisation.

WhatsApp fraud was the major contributor to the rising number of fraud cases in 2020. Fraud by phishing made a comeback in the first half of 2021. This is evident from the increased levels of the risk indicators 'phishing' -correlating with the Covid-19 pandemic-, malware and vulnerabilities in the IT infrastructure. To combat fraud, we have taken security measures and are investigating alternative customer identification methods.

Reporting and data management risk

Deltawerken is the name of de Volksbank's strategic programme to set up a robust data processing infrastructure in the reporting chain. We originally planned to start reporting using this infrastructure in the second quarter of 2021. However, additional data quality and integral chain testing processes forced us to postpone implementation to the end of the third quarter of 2021. The Board of Directors receives weekly progress reports. The Supervisory Board and the ECB are kept informed about (expected) deliverables and potential delays in fulfilling supervisory requirements.

Capital management

Capitalisation

With effect from 12 March 2020, de Volksbank is required to meet a minimum total Overall Capital Requirement (OCR) of 14.0%, of which at least 9.41% needs to be composed of CET1 capital. This obligation stems from the Supervisory Review and Evaluation Process (SREP) as performed by the ECB in 2019, and the SREP decision applicable with effect from 1 January 2020. The ECB did not issue a SREP decision for 2020. As a measure to support banks' capital position in response to the Covid-19 crisis, the ECB announced that, as from 12 March 2020, the Pillar 2 requirement need not be entirely composed of CET1 capital, but may partially be supplemented with Additional Tier 1 and Tier 2 capital.

Capitalisation

in € millions	30-6-2021	31-12-2020	30-6-2020
Shareholders' equity	3,424	3,450	3,382
Non-eligible interim profits	-94	-131	-106
Shareholders' equity for CRD IV purposes	**3,330**	**3,319**	**3,276**
Cashflow hedge reserve	-20	-22	-24
Other prudential adjustments	-3	-4	-3
Total prudential filters	**-23**	**-26**	**-27**
IRB shortfall[1]	--	--	--
Additional deductions of CET1 Capital due to Article 3 CRR	-113	-70	--
Total capital deductions	**-113**	**-70**	**--**
Total regulatory adjustments to shareholders' equity	**-136**	**-96**	**-27**
CRD IV CET1 capital	**3,194**	**3,223**	**3,249**
Additional Tier 1 capital	--	--	--
Tier 1 capital	**3,194**	**3,223**	**3,249**
Eligible Tier 2	500	500	500
IRB excess[1]	19	11	13
Tier 2 capital	**519**	**511**	**513**
Total capital	**3,713**	**3,734**	**3,762**
Risk-weighted assets	**11,279**	**10,331**	**9,612**
Risk exposure as defined by the CRR	62,647	62,494	64,535
CET1 ratio[2]	**28.3%**	**31.2%**	**33.8%**
Tier 1 ratio	28.3%	31.2%	33.8%
Total capital ratio	32.9%	36.1%	39.1%
Leverage ratio[3]	5.1%	5.2%	5.0%

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

De Volksbank's CET1 capital ratio went down to 28.3%, from 31.2% at year-end 2020, primarily due to an increase in risk weighted assets (RWA). The CET1 capital ratio remained well above our target of at least 19.0% .

In the first half of 2021, shareholders' equity fell by € 26 million to € 3,424 million. On the one hand, shareholders' equity decreased as a result of the 2020 dividend declaration of € 104 million and a decrease of other comprehensive income[4] by €16 million. On the other hand, shareholders' equity increased as a result of the € 94 million net profit for the first half of 2021.

To determine shareholders' equity for CRD IV purposes, non-eligible interim profits are deducted. After profit appropriation by the General Meeting of Shareholders in April 2021, € 28 million has been added to the CET1 capital from the non-eligible (interim) profits as at year-end 2020 of € 132 million, after deduction of € 104 million allocated for dividend.

The interim profit not yet eligible as CRD IV equity, i.e. € 94 million, is the full net profit for the first half of 2021.

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

To determine the CET1 capital, shareholders' equity for CRD IV purposes is subsequently subjected to a number of regulatory adjustments. These amounted to € 136 million negative at the end of June 2021 (year-end 2020: € 96 million negative) and consisted mainly of a deduction of € 113 million related to the expected impact of the current update of our Advanced Internal Rating Based (AIRB) model. This deduction increased by € 43 million, from € 70 million at year-end 2020, € 30 million of which was due to the estimated impact of the EBA guidelines on Definition of Default which became effective as from January 2021. The remaining € 13 million increase resulted from the most recent estimated impact of the updated AIRB model. Total regulatory adjustments also consisted of a prudential adjustment for the cashflow hedge reserve. On balance, the CRD IV CET1 capital decreased by € 29 million to € 3,194 million.

Risk-weighted assets (RWA)

in € millions	30-6-2021	31-12-2020	30-6-2020
	CRD IV	CRD IV	CRD IV
Credit risk - Internal ratings based (IRB approach)	5,682	5,897	5,832
Credit risk - standardised approach (SA approach)	2,817	2,296	2,147
Securitisations	19	17	14
Operational risk	1,451	1,451	1,503
Market risk	--	--	20
Credit Valuation Adjustment (CVA)	96	70	96
Additional risk exposure amounts due to Article 3 CRR	1,214	600	--
Total	**11,279**	**10,331**	**9,612**

In the first half of 2021, total RWA increased by € 948 million to € 11.3 billion. RWA for the credit risk of the retail mortgage portfolio, calculated according to the Internal Rating Based (IRB) approach, decreased by € 215 million due to further improvement of the average credit quality of our customers. The average risk weighting of residential mortgages declined to 12.1% from 12.7% at year-end 2020.

In addition, RWA for credit risk calculated according to the Standardised Approach (SA) increased by € 521 million, largely related to the increased risk-weighted short-term exposures to other financial institutions.

The RWA for operational risk, market risk, the Credit Valuation Adjustment and revised securitisation framework remained unchanged at € 1.6 billion in total.

Finally, the estimated impact of the update of de Volksbank's AIRB model resulted in an increase of RWA by € 614 million to € 1,214 million, reflected as additional risk exposure amounts due to Article 3 CRR. Of this increase € 175 million was due to the estimated impact of the EBA guidelines on Definition of Default. The additional € 439 million follows from the most recent estimated impact of the updated AIRB model.

On 10 August 2021 de Volksbank received a draft decision letter from the ECB approving the update of its AIRB model. It is expected that the update will take place in the second half of 2021 and that it will have an additional elevating effect on RWA mainly due to limitations on PD, LGD and RWA of defaulted exposures.

Leverage ratio

The leverage ratio went down to 5.1%, from 5.2% at year-end 2020, due to a decrease of Tier 1 capital by € 29 million and an increase of the leverage ratio denominator by € 153 million in the first half of 2021. The denominator is the risk exposure amount as defined by the Capital Requirements Regulation (CRR). On 18 June 2021, the ECB announced that banks under its direct supervision may continue to exclude certain central bank exposures from the leverage ratio calculation until 31 March 2022. As at the end of June 2021, de Volksbank had deducted an amount of € 8 billion of central bank exposures from its leverage ratio exposure.

The 5.1% leverage ratio is well above the regulatory requirement of 3.0%[5] and our target of at least 4.5%. Based on our capital targets, the amount of capital required to meet the leverage ratio requirement is higher than the amount required to meet risk-weighted capital

5 This leverage ratio requirement became binding with effect from 28 June 2021. Since de Volksbank continues to temporarily exclude certain central bank exposures from the leverage ratio exposure, the leverage ratio requirement for de Volksbank will be slightly higher at 3.2% until 31 March 2022.

requirements. This is the consequence of the bank's focus on retail mortgages, a low-risk activity with a correspondingly low risk weighting.

Developments in 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. The next step is the translation of Basel IV into European laws and regulations. We will adjust our capital planning if necessary.

As at the end of June 2021, we estimate that as a result of fully phased-in Basel IV our RWA would increase by approximately 22.5%[6] and that this would consequently reduce our CET1 capital ratio by approximately 5 percentage points. The largest effect is caused by the output floor on the basis of the revised Standardised Approach (SA) for credit risk versus the current internal modelling approach on the basis of PHIRM[7]. To give banks more time to prepare for Basel IV following the Covid-19 pandemic, the BCBS has postponed the introduction of Basel IV by one year, phasing in the output floor from 50% in 2023 to 72.5% in 2028. The anticipated changes in internal modelling approaches and the SA for operational risk under Basel IV are expected to have a limited effect on the RWA of de Volksbank.

Minimum floor on risk weighting of mortgage loan portfolios

In anticipation of the implementation of Basel IV, DNB announced in October 2019 that it would increase the minimum floor on the risk weighting of the mortgage loan portfolios of Dutch banks using internal risk models, with the exception of mortgages (partially) covered by the National Mortgage Guarantee (NHG) scheme. In May 2021, DNB announced that the measure will take effect from 1 January 2022. Final arrangements regarding duration and possible extensions are expected in the course of the third quarter of 2021. The impact of this measure on de Volksbank's capital position will be determined after implementation of the current PHIRM update.

MREL

On 10 May 2021, DNB - as the national resolution authority - set the MREL requirements for de Volksbank to be met as from 1 January 2022 and as from 1 January 2024. De Volksbank has to meet a MREL of 7.87% of the leverage ratio exposure (LRE) as from 1 January 2022. As a binding intermediate MREL subordination target, de Volksbank has to meet a MREL of 6.55% of the LRE with subordinated instruments (Tier 1 capital, Tier 2 capital and senior non-preferred (SNP) notes) as from 1 January 2022. As from 1 January 2024 the 7.87% MREL has to be fully met with subordinated instruments.

These requirements are in line with de Volksbank's capital planning to meet a minimum non-risk-weighted MREL ratio of 8% fully with subordinated instruments as from 1 January 2024, while taking into account the binding intermediate MREL subordination target to be met as from 1 January 2022.
Based on its current capital position, de Volksbank expects to issue SNP notes totalling € 1.2 billion to € 1.7 billion up to 2024. This is in addition to € 1.0 billion SNP debt instruments already issued in the first half of 2021.

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

Total capital and eligible liabilities rose by € 752 million to € 6,345 million, mainly as a result of the issuances of € 500 million SNP instruments in both February 2021 and in June 2021. This increase was partly offset by a limited amount of senior unsecured debt becoming non-eligible. Total liabilities and own funds (TLOF) rose by € 3.8 billion to € 69.2 billion during the first half of 2021, primarily due to an increase in savings.

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6 Starting from (1) loan-splitting for retail mortgages, and (2) the assumption that 93% of the retail mortgages meet the documentation requirements .
7 Particuliere Hypotheken Interne Rating Model (Internal Rating Model for Retail Mortgages).

MREL

in € millions	30-6-2021	31-12-2020	30-6-2020
CET1 capital	3,194	3,223	3,249
Tier 2 capital	519	511	513
Total capital	**3,713**	**3,734**	**3,762**
Other eligible senior non-preferred (SNP) liabilities with remaining maturity >1 year	1,000	--	--
Other eligible unsec. liabilities with remaining maturity > 1 year	1,632	1,859	1,717
Total capital including other eligible liabilities	**6,345**	**5,593**	**5,479**
Total Liabilities and Own Funds (TLOF) as defined by the BRRD	69,253	65,406	63,186
MREL (Total capital including other eligible liabilities) (TLOF)	9.2%	8.6%	8.7%
MREL BRRD2 EXPOSURE MEASURES[1]			
Leverage ratio exposure (LRE)	62,647	62,494	64,535
Risk-weighted assets	11,279	10,331	9,612
MREL LRE			
MREL (Total capital and eligible SNP liabilities) (LRE)	7.5%	6.0%	5.8%
MREL (Total capital including other eligible liabilities) (LRE)	10.1%	9.0%	8.5%
MREL RWA			
MREL (Total capital and eligible SNP liabilities) (RWA)	41.8%	36.1%	39.1%
MREL (Total capital including other eligible liabilities) (RWA)	56.3%	54.1%	57.0%

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

At the end of June 2021, the non-risk-weighted MREL ratio based on TLOF stood at 9.2% (2020: 8.6%). This includes Total capital and all other unsecured liabilities eligible for MREL under the current BRRD. The non-risk-weighted MREL ratio based on the leverage ratio exposure was equal to 10.1% (2020: 9.0%), including Total capital and all other unsecured liabilities eligible for MREL under the current BRRD. Including only Total capital and eligible SNP liabilities, the non-risk-weighted MREL ratio based on the leverage ratio exposure equalled 7.5%.

The risk-weighted MREL ratio, based on Total capital and SNP eligible liabilities (€ 4,713 million in total), stood at 41.8% (year-end 2020: 36.1%). Based on the balance sheet position as at the end of June 2021, we estimate the risk weighted MREL ratio met with CET1 capital and subordinated instruments to be approximately 8 percentage points lower under full phase-in of Basel IV.

Dividend

De Volksbank has set a target range of 40% - 60% of net profit for the regular dividend distribution. In line with this policy, de Volksbank decided in its General Meeting of Shareholders (GMS) in April 2021 to declare a dividend of € 104 million for 2020. This corresponds to a pay-out ratio of 60%. Given the uncertainty surrounding the Covid-19 pandemic, the ECB recommendated on 15 December 2020 to exercise extreme prudence when deciding on or paying out dividends until 30 September 2021. The approved dividend amount will therefor not be paid out before 1 October 2021.

At the GMS in 2020, the proposed dividend for the 2019 financial year was declared at € 165 million. At the GMS in April 2021, NLFI agreed to a partial dividend payment for 2019 of € 20 million. This in line with ECB's recommendation of 15 December 2020 for reasons of prudence to refrain from distributing more than 15% of the accumulated profit for the financial years 2019 and 2020, or more than 20 bps in terms of the CET1 capital ratio, whichever is lower.

On 23 July 2021, the ECB decided not to extend its dividend recommendation to exercise extreme prudence beyond September 2021. Instead, supervisors will assess the capital and distribution plans of each bank as part of the regular supervisory process.

Given this announcement, de Volksbank intends to pay out the remaining 2019 dividend and the 2020 dividend for a total amount of € 249 million in October 2021. Since the intended dividend amount already classifies as debt, distributing this amount will not affect de Volksbank’s capital position.

Liquidity and funding

Liquidity

In the first half of 2021, continued growth in deposits resulted in a liquidity position that is substantially higher than de Volksbank's internal targets and regulatory requirements.
De Volksbank aims to reduce the undesirable impact of excess liquidity on the bank's profitability and capitalisation through several measures for example by applying negative interest to business and retail customer accounts that exceed € 250,000 from 1 March 2021 and € 100,000 from 1 July 2021 respectively.

The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) remained well above the regulatory minimum of 100%. As at 30 June 2021, the LCR stood at 261% (year-end 2020: 233%).

Key liquidity indicators

	30-6-2021	31-12-2020	30-06-2020
LCR	261%	233%	182%
NSFR	171%	>100%	>100%
Loan-to-Deposit ratio	87%	92%	96%
Liquidity buffer (in € millions)	21,765	19,121	17,563

The ratio between loans outstanding and deposits attracted, known as the Loan-to-Deposit ratio, decreased to 87%, from 92% at year-end 2020. This was caused by continued growth in deposits, of which € 2.6 billion due to an increase in retail savings. Loans decreased slightly from € 48.5 billion to € 48.3 billion in the first half of 2021.

The liquidity buffer increased to € 21.8 billion as at 30 June 2021 (year-end 2020: € 19.1 billion).

Liquidity buffer composition

in € millions	30-6-2021	31-12-2020	30-6-2020
Cash position[1]	8,426	5,925	3,754
- of which central bank reserves & nostro accounts	*8,402*	*5,010*	*1,400*
- of which contractual wholesale cashflows maturing in ten days or less	*24*	*915*	*2,354*
Sovereigns	2,703	2,778	2,830
Regional/local governments and supranationals	1,541	1,252	1,152
Other liquid assets	551	337	327
Eligible retained RMBS	8,544	8,829	9,500
Liquidity buffer	**21,765**	**19,121**	**17,563**

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

De Volksbank's cash position amounted to € 8.4 billion (year-end 2020: € 5.9 billion). The gross funding need arose mainly from the € 0.1 billion repayment in capital market funding. This funding need was more than fully met by a € 2.8 billion growth in total deposits. Furthermore, de Volksbank issued € 1.0 billion in green senior non-preferred debt instruments and saw a € 0.7 billion decrease in collateral placed in relation to derivative transactions in the form of cash. In addition, in the first half of 2021, de Volksbank participated for € 70 million in additional TLTRO-III funding from the ECB. Although cash inflows were substantially higher than cash outflows, this was only partly visible in the cash position as a higher amount of available liquidity was invested in the money market for more than ten days. As at 30 June 2021, € 4.9 billion in assets had been invested for cash management purposes with an investment horizon of more than ten days (year-end 2020: € 3.5 billion) and was therefore not included in the cash position, of which € 3.0 billion was held at Swiss banks (year-end 2020: € 2.3 billion).

The liquidity value of other liquid assets in the liquidity buffer amounted to € 13.3 billion as at 30 June 2021 (year-end 2020: € 13.2 billion):

- The liquidity value of eligible retained RMBS decreased to € 8.5 billion (year-end 2020: € 8.8 billion).
- The value of other liquid assets in the liquidity buffer rose by € 0.4 billion, predominantly because of nominal growth of de Volksbank's liquidity portfolio.

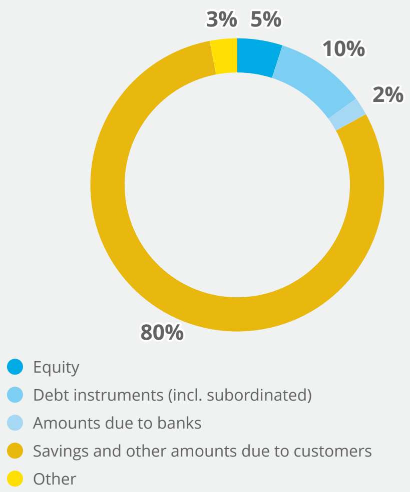
Funding

Retail savings are de Volksbank's main source of funding. Through our brands, we attract term deposits, demand deposits and current account balances from retail customers. We also attract savings deposits and current account balances from SME customers. In the first half of 2021, customer deposits rose to € 55.8 billion, from € 53.0 billion at year-end 2020.

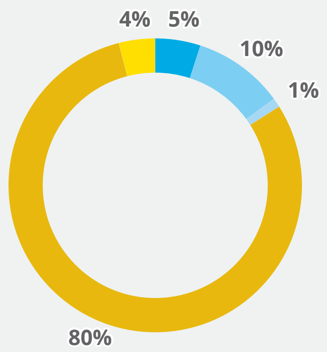
In addition, the bank attracts funding from the capital market through various funding instruments spread over terms, markets, regions and types of investor.

The diagrams below provide an overview of the book value-based composition of the total liabilities as at 30 June 2021 and year-end 2020. The percentage of our funding that is made up of savings and other amounts due to customers remained stable at 80%.

Equity and liability mix as at 30 June 2021: € 70.5 billion



Equity and liability mix as at 31 December 2020: € 67.5 billion

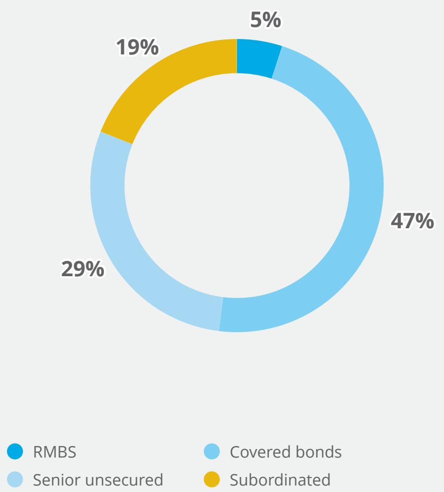


In the first half of 2021, de Volksbank successfully executed a number of capital market funding transactions to strengthen the MREL-eligible subordinated instruments:

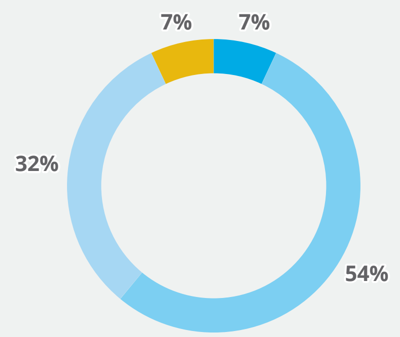
- € 0.5 billion in green senior non-preferred debt with a 7-year maturity;
- € 0.5 billion in green senior non-preferred debt with a 5-year maturity.

As capital market funding redemptions were limited in the first half of 2021, the capital market funding mix increased from € 6.9 billion to € 7.8 billion.

Capital market funding mix as at 30 June 2021: € 7.8 billion (nominal value)

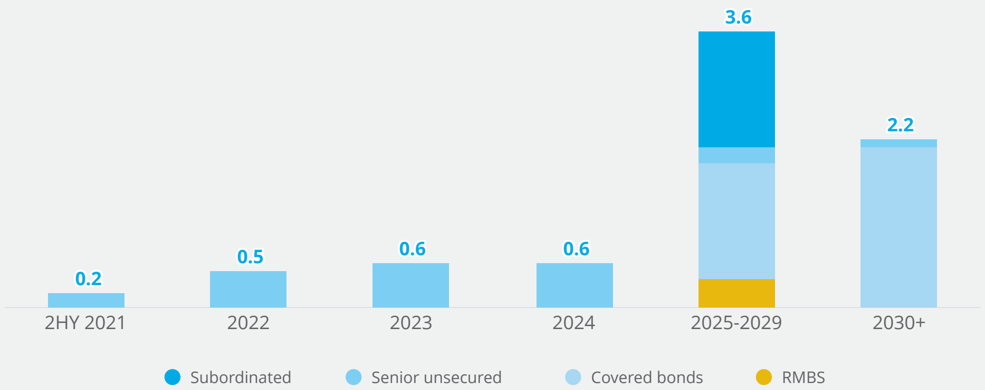


Capital market funding mix as at 31 December 2020: € 6.9 billion (nominal value)



The figure below presents an overview of the maturity calendar of the capital market funding outstanding with an original maturity of more than one year. It is assumed that this funding will be redeemed at the first possible date. In the second half of 2021, we expect to issue covered bonds and we may also issue senior non-preferred debt to meet our capital market funding needs.

Capital market funding maturities
(in € billions)



Responsibility statement

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

- The condensed consolidated interim financial statements, for the six-month period ending on 30 June 2021, give a true and fair view of the assets, liabilities, size and composition of equity, financial position and profit or loss of de Volksbank N.V. and the companies included in the consolidation; and
- The Interim Financial Report, for the six-month period ending on 30 June 2021, gives a true and fair view of the information that is required pursuant to section 5:25d, paragraphs 8 and 9, of the Dutch Financial Supervision Act of de Volksbank N.V. and of the companies included in the consolidation.

Utrecht,12 August 2021

The Board of Directors

Martijn Gribnau, Chief Executive Officer

Jeroen Dijst, Chief Risk Officer

Marinka van der Meer, Chief Customer Officer

John Reichardt, Chief Financial Officer a.i.

Condensed consolidated interim financial statements

Consolidated statement of financial position

Before result appropriation and in € millions	30-6-2021	31-12-2020
ASSETS		
Cash and cash equivalents	8,036	4,672
Derivatives	588	864
Investments	5,493	5,113
Loans and advances to banks	5,759	5,990
Loans and advances to customers	50,129	50,542
Tangible and intangible assets	90	110
Tax assets	64	42
Other assets	314	151
Total assets	**70,473**	**67,484**
EQUITY AND LIABILITIES		
Savings	44,689	42,111
Other amounts due to customers	11,757	11,541
Amounts due to customers	**56,446**	**53,652**
Amounts due to banks	1,175	945
Debt certificates	6,885	6,119
Derivatives	1,256	2,163
Tax liabilities	12	17
Other liabilities	694	558
Provisions	77	80
Subordinated debts	504	500
Total other liabilities	**10,603**	**10,382**
Share capital	381	381
Other reserves	2,949	2,895
Net profit for the period	94	174
Shareholders' equity	**3,424**	**3,450**
Total equity and liabilities	**70,473**	**67,484**

Consolidated income statement

in € millions	1st half 2021	1st half 2020
INCOME		
Interest income	525	590
Interest expense	133	154
Net interest income	**392**	**436**
Fee and commission income	66	62
Fee and commission expenses	46	33
Net fee and commission income	**20**	**29**
Investment income	-2	8
Other result on financial instruments	7	7
Other operating income	--	--
Total income	**417**	**480**
EXPENSES		
Staff costs	198	186
Depreciation and amortisation of tangible and intangible assets	11	14
Other operating expenses	113	92
Total operating expenses	**322**	**292**
Impairment charges financial assets	-31	45
Total expenses	**291**	**337**
Result before taxation	**126**	**143**
Taxation	32	37
Net result for the period	**94**	**106**

Consolidated statement of comprehensive income

Other comprehensive income

in € millions	1st half 2021	1st half 2020
ITEMS NOT SUBSEQUENTLY BE RECLASSIFIED TO PROFIT OR LOSS		
Other changes in comprehensive income	-1	--
Total items never reclassified to profit or loss	**-1**	**--**
ITEMS SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS		
Change in cashflow hedge reserve	-2	-2
Change in fair value reserve	-13	8
Total items subsequently reclassified to profit or loss	**-15**	**6**
Other comprehensive income (after tax)	**-16**	**6**

Total comprehensive income attributable to the shareholder

Total comprehensive income

in € millions	1st half 2021	1st half 2020
Net profit	94	106
Other comprehensive income (after tax)	-16	6
Total comprehensive income	**78**	**112**

Condensed consolidated statement of changes in total equity

Consolidated statement of changes in total equity

in € millions	Issued share capital[1]	Share premium reserve	Cashflow hedge reserve	Fair value reserve	Other reserves	Net profit for the period	Total equity
Balance as at 1 January 2020	**381**	**3,537**	**26**	**19**	**-803**	**275**	**3,435**
Transfer of 2019 net result	**--**	**--**	**--**	**--**	**110**	**-110[2]**	**--**
Other comprehensive income	--	--	-2	8	--	--	6
Net result for the period	--	--	--	--	--	106	106
Total result for the period	**--**	**--**	**-2**	**8**	**--**	**106**	**112**
Transactions with shareholder	--	--	--	--	--	-165[3]	-165
Total changes for the period	**--**	**--**	**-2**	**8**	**110**	**-169**	**-53**
Balance as at 30 June 2020	**381**	**3,537**	**24**	**27**	**-693**	**106**	**3,382**
Other comprehensive income	--	--	-2	2	--	--	--
Net result for the period	--	--	--	--	--	68	68
Total result for the period	**--**	**--**	**-2**	**2**	**--**	**68**	**68**
Transactions with shareholder	--	--	--	--	--	--	--
Total changes for the period	**--**	**--**	**-2**	**2**	**--**	**68**	**68**
Balance as at 31 December 2020	**381**	**3,537**	**22**	**29**	**-693**	**174**	**3,450**
Transfer of 2020 net result	**--**	**--**	**--**	**--**	**70**	**-70[2]**	**--**
Other comprehensive income	--	--	-2	-13	-1	--	-16
Net result for the period	--	--	--	--	--	94	94
Total result for the period	**--**	**--**	**-2**	**-13**	**-1**	**94**	**78**
Transactions with shareholder	--	--	--	--	--	-104[3]	-104
Total changes for the period	**--**	**--**	**-2**	**-13**	**69**	**-80**	**-26**
Balance as at 30 June 2021	**381**	**3,537**	**20**	**16**	**-624**	**94**	**3,424**

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

2 This is the result after deduction of the dividend payable.

3 Dividend to be paid out to NLFI is included under other liabilities.

Condensed consolidated cashflow statement

in € millions	1st half 2021	1st half 2020
CASHFLOW FROM OPERATING ACTIVITIES		
Result before taxation	126	143
ADJUSTMENTS FOR		
Depreciation and amortisation of tangible and intangible assets	12	14
Impairment charges and reversals	-31	45
CHANGES IN OPERATING ASSETS AND LIABILITIES		
Change in advances to customers	413	-406
Change in liabilities to customers	216	432
Change in advances to banks	231	-3,026
Change in liabilities to banks	230	-295
Change in savings	2,578	2,117
Change in trading portfolio	--	-21
Other adjustments and changes in operating activities	-540	576
Net cashflow from operating activities	**3,235**	**-421**
Net cashflow from investment activities	**-589**	**-161**
Net cashflow from financing activities	**718**	**-365**
Net decrease of cash and cash equivalents	**3,364**	**-947**
Cash and cash equivalents as at 1 January	4,672	2,026
Change in cash and cash equivalents	3,364	-947
Cash and cash equivalents as at 30 June	**8,036**	**1,079**

Notes to the condensed consolidated interim financial statements

Accounting principles

General information
De Volksbank N.V. (hereafter 'de Volksbank'), a public limited liability company, is incorporated under Dutch law and domiciled in the Netherlands. De Volksbank's registered office is located at Croeselaan 1, 3521 BJ Utrecht. All shares of de Volksbank are held by *Stichting administratiekantoor beheer financiële instellingen* (NLFI).

The condensed consolidated interim financial statements of de Volksbank comprise financial information of all entities controlled by de Volksbank, including its interests in associates. These condensed consolidated interim financial statements were prepared by the Board of Directors and approved by the Supervisory Board on 12 August 2021.

Basis of preparation

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

Main accounting principles for financial reporting
The accounting principles applied in the preparation of these condensed consolidated interim financial statements are consistent with the accounting principles applied in the preparation of de Volksbank's financial statements for the year ending on 31 December 2020. Changes in standards and interpretations affecting the 2021 accounting principles are described in the following sections.

Changes in published Standards and Interpretations effective in 2021
In 2021 the following standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC), respectively, became mandatory. These were adopted by the EU and are applicable in the current financial year:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2; and
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9;

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

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2
As of 1 January 2021 the bank adopted amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2, addressing issues that might affect financial reporting when an existing interest rate benchmark is actually replaced. The amendment did not have a material impact on the valuation of financial instruments or hedging relationships and thereby has no material impact on the bank's total equity and net income. The disclosure requirements from the amendment are reported in the note Derivatives.

Accounting policy change
In 2021, de Volksbank changed its accounting policy for land and buildings in own use from the revaluation model to the cost model in order to more align with market-practice in the banking sector. The change to the cost model has an immaterial impact on the book value of the line item tangible and intangible assets, the result and shareholders' equity in 2021.

Notes to consolidated statement of financial position and consolidated income statement

Derivatives
The following table summarises the exposures impacted by the IBOR reform as of 30 June 2021. EONIA and USD LIBOR have both not been converted in risk free rates yet. EONIA will ceased to be published as of 1 January 2022 onwards and is expected to be converted in the euro short-term rate (€STR) at that time. USD LIBOR will continue to be published till mid-2023. The IBOR Reform does not have an impact on Euribor based exposures. The calculation method of Euribor changed during 2019 followed by authorization under the European Union Benchmark Regulation. This allows market participants to continue to use Euribor for which it is expected that it will continue to exist as a benchmark rate for the foreseeable future. The exposure disclosed concerns balances with contractual maturities after 31 December 2021.

IBOR transition

in € millions	Non-derivatives financial assets - carrying value	Non-derivatives financial liabilities - carrying value	Derivatives - nominal amount
EONIA	--	--	1,066
USD LIBOR[1]	72	--	282
Total	**72**	**--**	**1,348**

1 Of which € 44 million carrying value financial assets refers to notional derivatives maturing mid-2023 or later.

Cash collateral balances across some of the bank's CSA agreements in EONIA are not included in this schedule. These balances have a short term nature and are expected to be converted in €STR before the end of 2021 as EONIA will ceased to be published as of 1 January 2022 onwards.

The derivatives exposure represents notional contract amounts with contractual maturities after 31 December 2021. We have been informed that as of 15 October 2021 EONIA-linked swaps transacted with LCH will be converted to equivalent €STR-linked swaps whereby the economic difference will be cash – settled.

For USD LIBOR we will closely monitor the developments. Current expectation is that the 3 month and the 6 month USD LIBOR will continue to be published until mid-2023 An amount of € 44 million carrying value financial assets has a maturity date beyond this date and will be negotiated bilaterally with the counterparties involved.

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

Debt certificates

Senior non-preferred debts (SNP)
In the first half of 2021, de Volksbank issued:
- € 0.5 billion in green senior non-preferred debt with a maturity of seven years;
- € 0.5 billion in green senior non-preferred debt with a maturity of five years.

Redemptions and repurchases of debt certificates
In the first half of 2021, de Volksbank redeemed € 44 million in bonds under securitisation programmes, and redeemed, repurchased and/or recognised on own book a total of € 13 million of other bonds with original maturities of more than one year.

Contingent liabilities and commitments
Early 2021, there have been various rulings on the interpretations and use of variable interest clauses in revolving credits for consumer loans and mortgage products at other Dutch banks, concluding that customers may expect that the interest rate on their revolving loans remains in line with the relevant market interest rate during the term of a loan. De Volksbank will continue to carefully analyse the ongoing developments on this matter and to assess the possible impact for its customers. At the current stage of the developments and assessment, de Volksbank does not have a present obligation.

On 21 June 2021, de Volksbank issued a binding offer in order to acquire a majority stake in a business whose activities are supportive to and an extension of our mortgage business. The acquisition is expected to be completed in the third quarter of 2021 and is not expected to have a material impact on our financial position and earnings.

Update on legal proceedings
De Volksbank's former CFO started several proceedings in connection with his dismissal as CFO. On 5 August 2021 the district court rendered a judgement in the proceedings on the merits (*bodemprocedure*) rejecting all the former CFO's claims. The court thereby confirming that the former CFO's agreement with the bank has been validly terminated. The former CFO is ordered to repay wages paid by de Volksbank after 1 February 2021 as ordered by the court of appeal on 15 June 2021 as an interim measure. The former CFO has indicated his intention to appeal the district court's judgement.

In the inquiry ordered by the Enterprise Chamber into the management and course of events at SRH and de Volksbank for the period from 1 January 2006 to 1 February 2013, the investigators' final report was published on 27 July 2021. The applicant(s) to the inquiry are in charge to decide or and which next step they will make. At the current stage of the developments, de Volksbank does not have a present obligation.

Regarding other ongoing legal proceedings, there have been no noteworthy developments.

Related parties

As part of its business operations, de Volksbank frequently enters into transactions with related parties. Parties related to de Volksbank include the SNS REAAL Pension Fund, associates, Stichting administratiekantoor beheer financiële instellingen (NLFI), the Dutch State, the Board of Directors, the Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other related entities. Loans and advances to the Board of Directors, the Supervisory Board and close family members, where applicable, consist mainly of residential mortgages granted under standard personnel conditions.

Transactions conducted with the Dutch State are limited to normal banking transactions, taxation and other administrative relationships. Normal banking transactions relate to loans and deposits, financial assets held for trading and financial investments available for sale, and are entered into under the same market and commercial terms that apply to non-related parties.

Post balance sheet events

On 10 August 2021 de Volksbank received a draft decision letter from the ECB approving the update of its AIRB model. It is expected that the update will take place in the second half of 2021 and that it will have an additional elevating effect on RWA. The update will not have an impact on shareholders' equity.

Fair value of financial instruments

Fair value accounting of financial assets and liabilities

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

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

Hierarchy in financial instruments as at 30 June 2021

in € millions	Book value	Level 1	Level 2	Level 3	Total fair value
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Investments - fair value through OCI	2,290	2,287	--	3	2,290
Investments - fair value through P&L	7	--	--	7	7
Derivatives	588	--	557	31	588
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE					
Investments - amortised cost	3,196	3,131	92	8	3,231
Loans and advances to customers	50,129	--	--	53,178	53,178
Loans and advances to banks	5,759	--	--	--	5,759
Other assets	314	--	--	--	314
Cash and cash equivalents	8,036	--	--	--	8,036
Total financial assets	**70,319**	**5,418**	**649**	**53,227**	**73,403**
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Derivatives	1,256	--	1,225	31	1,256
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE					
Subordinated debts	504	529	--	--	529
Debt certificates	6,885	--	--	7,133	7,133
Savings	44,689	--	42,624	2,477	45,101
Other amounts due to customers	11,757	--	10,273	1,520	11,793
Amounts due to banks	1,175	--	1,175	--	1,175
Other liabilities	694	--	--	--	694
Total financial liabilities	**66,960**	**529**	**55,297**	**11,161**	**67,681**

Hierarchy in financial instruments as at 31 December 2020

in € millions	Book value	Level 1	Level 2	Level 3	Total fair value
FINANCIAL ASSETS MEASURED AT FAIR VALUE					
Investments - fair value through OCI	2,025	2,021	--	4	2,025
Investments - fair value through P&L	6	--	--	6	6
Derivatives	864	--	827	37	864
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE					
Investments - amortised cost	3,082	3,042	85	--	3,127
Loans and advances to customers	50,542	--	--	53,596	53,596
Loans and advances to banks	5,990	--	--		5,990
Other assets	151	--	--	--	151
Cash and cash equivalents	4,672	--	--	--	4,672
Total financial assets	**67,332**	**5,063**	**912**	**53,643**	**70,431**
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE					
Derivatives	2,163	--	2,126	37	2,163
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE					
Subordinated debts	500	528	--	--	528
Debt certificates	6,119	--	--	6,529	6,529
Savings	42,111	--	39,358	3,218	42,576
Other amounts due to customers	11,541	--	9,471	2,135	11,606
Amounts due to banks	945	--	945	--	945
Other liabilities	558	--	--	--	558
Total financial liabilities	**63,937**	**528**	**51,900**	**11,919**	**64,905**

Notes to the valuation of financial assets and liabilities

The following techniques and assumptions have been used to determine the fair value of financial instruments.

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

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

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

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

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

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

Subordinated debt
The fair value of subordinated debt is estimated on the basis of the present value of the expected future cashflows, making use of the prevailing interest rate plus a risk surcharge. The risk surcharge is based on the credit risk assumed by the market for holding subordinated debt issued by de Volksbank, differentiated to maturity and type of instrument.

Debt certificates
The fair value of debt certificates is estimated on the basis of the present value of the cashflows, making use of the prevailing interest rate plus a risk surcharge. The risk surcharge is based on the credit risk assumed by the market for holding such instruments issued by de Volksbank, determined by maturity and type of instrument.

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

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

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

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

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

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

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

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

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

Change in level 3 financial instruments

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

in € millions	Fair value through P&L	Fair value through OCI	Derivatives assets	Derivatives liabilities
Opening balance	6	4	37	37
Unrealised gains or losses recognised in P&L[1]	1	-1	-6	-6
Unrealised gains or losses recognised in OCI[2]	--	--	--	--
Closing balance	**7**	**3**	**31**	**31**

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

2 Included in the line item Fair value reserve.

Change in level 3 financial instruments measured at fair value for the 1st half of 2020

in € millions	Fair value through P&L	Fair value through OCI	Derivatives assets	Derivatives liabilities
Opening balance	4	5	55	56
Unrealised gains or losses recognised in P&L[1]	-2	--	-9	-9
Unrealised gains or losses recognised in OCI[2]	--	--	--	--
Closing balance	**2**	**5**	**46**	**47**

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

2 Included in the line item Fair value reserve.

Change in level 3 financial instruments measured at fair value for the 2nd half of 2020

in € millions	Fair value through P&L	Fair value through OCI	Derivatives assets	Derivatives liabilities
Opening balance	2	5	46	47
Unrealised gains or losses recognised in P&L[1]	4	--	-9	-10
Unrealised gains or losses recognised in OCI[2]	--	-1	--	--
Closing balance	**6**	**4**	**37**	**37**

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

2 Included in the line item Fair value reserve.

Sensitivity of level 3 valuations of financial instruments

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

Sensitivity to non-observable parameters of level 3 financial instruments as at 30 June 2021

in € millions	Valuation technique	Main assumption	Carrying amount	Reasonably possible alternative assumptions	Increase in fair value	Decrease in fair value
ASSETS						
Derivatives	Discounted cashflows	Discount curve	31	-0.5% of +0.5%	2	2
		Prepayment rate	31	-1% of +1%	1	1
LIABILITIES						
Derivatives	Discounted cashflows	Discount curve	31	-0.5% of +0.5%	1	1
		Prepayment rate	31	-1% of +1%	1	1

Sensitivity to non-observable parameters of level 3 financial instruments as at 31 December 2020

in € millions	Valuation technique	Main assumption	Carrying amount	Reasonably possible alternative assumptions	Increase in fair value	Decrease in fair value
ASSETS						
Derivatives	Discounted cashflows	Discount curve	37	-0.5% of +0.5%	2	2
		Prepayment rate	37	-1% of +1%	1	1
LIABILITIES						
Derivatives	Discounted cashflows	Discount curve	37	-0.5% of +0.5%	1	1
		Prepayment rate	37	-1% of +1%	1	1

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

Transfers between categories

In 2020 and in the first half of 2021, no significant movements occurred.

Independent auditor's review report

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

Our conclusion

We have reviewed the condensed consolidated interim financial statements included in the accompanying interim financial report of de Volksbank N.V. based in Utrecht for the period from 1 January 2021 to 30 June 2021.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of de Volksbank N.V. for the period from 1 January 2021 to 30 June 2021, are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

The condensed consolidated interim financial statements comprise:

- The consolidated statement of financial position as at 30 June 2021
- The consolidated income statement, the consolidated statement of comprehensive income, the condensed consolidated statement of changes in total equity, and the condensed consolidated cashflow statement for the period from 1 January 2021 to 30 June 2021
- The notes comprising of a summary of the significant accounting policies and selected explanatory information

Basis for our conclusion

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

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

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

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

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

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

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

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

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

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

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

Amsterdam, 12 August 2021

Ernst & Young Accountants LLP

signed by P.J.A.J Nijssen

General information

About de Volksbank

General
De Volksbank is a financial services provider engaged in banking, with a particular focus on the Dutch retail market, including small and medium-sized enterprises. De Volksbank carries multiple brands and has a single back office and IT organisation. The product range consists of three core product groups: payments, mortgages and savings. De Volksbank has a balance sheet total of € 70 billion and 3,228 internal employees (FTEs), which makes it a major player in the Dutch market. The head office of de Volksbank is located in Utrecht.

Mission and ambition
The mission of de Volksbank is 'Banking with a human touch'. To live up to our mission we formulated an ambition based on the principle of shared value. Shared value is directed towards social and economic as well as financial and non-financial aspects. Our ambition is to optimise this shared value by delivering benefits for customers, taking responsibility for society, giving genuine attention to employees and achieving returns for the shareholder.

Our brands
There is no such thing as an 'average customer'. Everyone has different wishes, needs and preferences. We want to serve our customers in the way that best fits their needs. That is why, instead of one brand for all customers, we have opted for different brands that each serve their customers in the way that suits them best. Each brand has its own way of working, image, mentality and products, from savings and investments through to insurance.

ASN Bank
Sustainability
ASN Bank has been one of the leading banks in sustainable banking in the Netherlands for 50 years. ASN Bank invests the money customers entrust to the bank in such a way that it contributes to sustainable progress and a liveable world, now and in the future. ASN Bank bases its choices on the three pillars of its sustainability policy: human rights, climate and biodiversity.
ASN Bank demonstrates that its clear and understandable products offer a good feeling *and* good money.
www.asnbank.nl

BLG Wonen
Homeownership for everyone
BLG Wonen is committed to a housing market that is fairer and more accessible. Founded in 1954 to give Limburg miners the chance to buy a house, it now supports new groups in society that have problems buying a house. BLG Wonen does not see files or numbers, but people with dreams and wishes. Only then will it look at the numbers. Together with its large network of independent advisers, it helps people to find a suitable mortgage. After all, owning your own home is important: it gives people a feeling of security and happiness. www.blg.nl

RegioBank
Quality of life in the neighbourhood
Just dropping by for a question or good advice. This is precisely what you can do at approximately 500 branch offices of independent advisers in villages and small towns all over the country.
In addition to taking care of money matters close to home, RegioBank is also committed to improving the quality of life in the neighbourhood. It promotes local cohesion because it believes that having a social network close by makes people happy. The bank is a partner of *Oranje Fonds* and supports social activities. After all, RegioBank is not just a bank, but part of the local community: a liaison that wants to strengthen social vitality and local entrepreneurship in the region. www.regiobank.nl

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

Disclaimer
This press release contains factual information only and should not be regarded as an opinion or recommendation concerning the purchase or sale of securities issued by de Volksbank. This press release does not contain any value judgement or predictions with respect to the financial performance of de Volksbank.