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Results first half of 2019

Investor presentation

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Key points first half of 2019

Progress in implementing our mission of Banking with a human touch

- **Various initiatives** taken in response to the growing need for a bank with a strong social identity
- **Climate-neutral balance sheet** improved to 41% (YE18: 37%); publication of a 'Green Bond Framework'

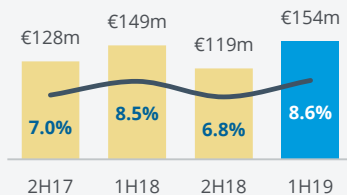
Growth current account customers, mortgage portfolio and savings deposits

- **Net growth in number of current account customers by 43,000 to 1.53 million**, 2020 target of >1.5m already achieved. Market share of new current accounts at 21%. Customer-weighted Net Promoter Score positive for the first time: +1
- **Increase in retail mortgage portfolio by €1.2bn to €48.5bn**; market share of new production lower at 6.6% (2018: 7.2%)
- **Increase in retail savings by €1.1bn to €38.5bn**; market share slightly lower at 10.4% (2018: 10.6%)

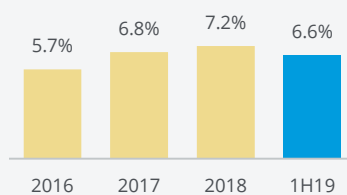
Increase in net profit, mainly driven by lower operating expenses

- **Net profit of €154m**; a 3% increase compared to 1H18, mainly driven by lower operating expenses, partly offset by lower total income and a lower net release of loan loss provisions
- **Return on equity of 8.6%**, based on a strong capital position: increase in CET1 capital ratio to 37.1%, leverage ratio 5.3%

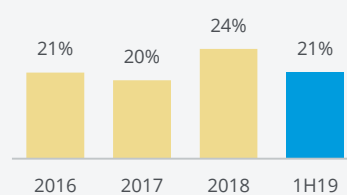
Net result and RoE



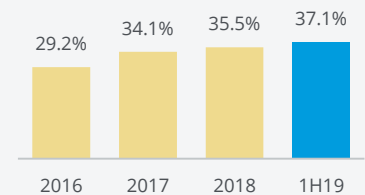
Market share new retail mortgages



Market share new current accounts



CET1 capital ratio





1. Update on strategy

Initiatives taken in response to the growing need for a bank with a strong social identity



Biodiversity

ASN Bank finished and published the calculation of its biodiversity impact based on which it defined an objective for 2030: all its investments and loans are to have a net positive impact on biodiversity. It also participated in a biodiversity working group as part of the Dutch Central Bank's Sustainable Finance Platform



'Rent statement'

BLG Wonen organised a National Housing Debate in which the 'rent statement' was the central topic. This statement serves as an addition to income data and allows a tenant to demonstrate – partly on the basis of rent paid – that he or she can afford to pay mortgage costs now and in the future. BLG Wonen will launch a pilot project in September by providing mortgages to so-called 'high-rent tenants' based on such a rent statement



Local cohesion

RegioBank launched a platform in co-operation with *Oranje Fonds* to support social initiatives that contribute to local cohesion in the villages and small towns where it has branch offices



Personal contact

SNS is setting up its organisation in such a way that its customers may contact fixed teams of employees in the more than 200 SNS shops, regardless of the topic and the means of communication selected (telephone, chat, face-to-face contact), before the end of the year



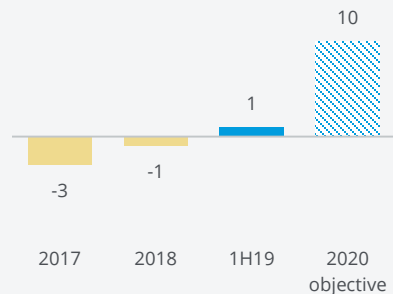
Meegeven.nl

Seeking to experiment with platforms, we created **Meegeven.nl**, a platform containing a digital safe especially for surviving relatives who are charged with the task of settling the financial affairs of a deceased person

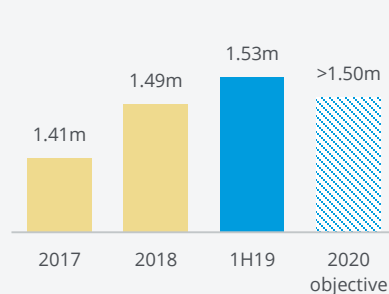
Long-term objectives

Shared value objectives: customers, society, employees, shareholder

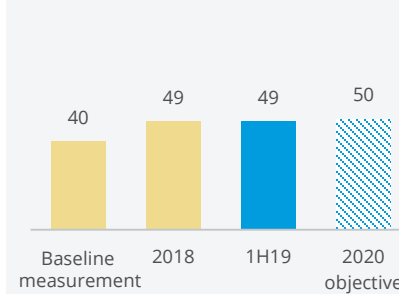
Customer-weighted average NPS



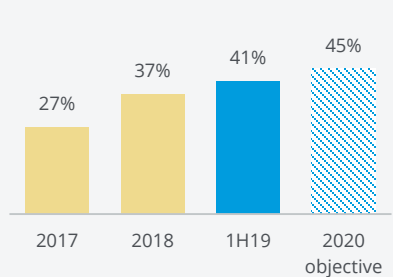
Current account customers



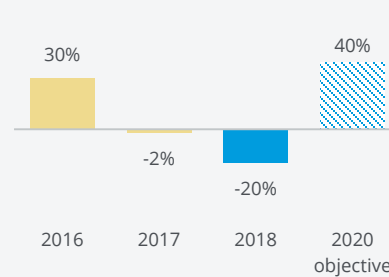
Financial Confidence Barometer



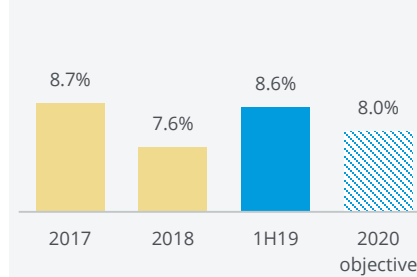
Climate-neutral balance sheet



Employee NPS

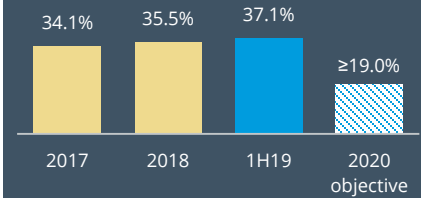


Return on Equity¹

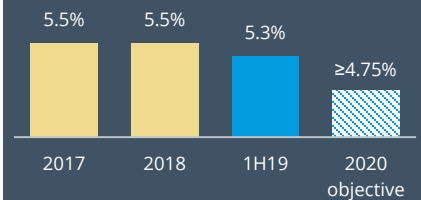


Other objectives

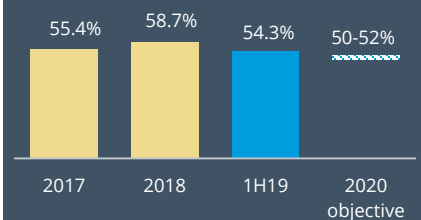
CET1 capital ratio



Leverage ratio



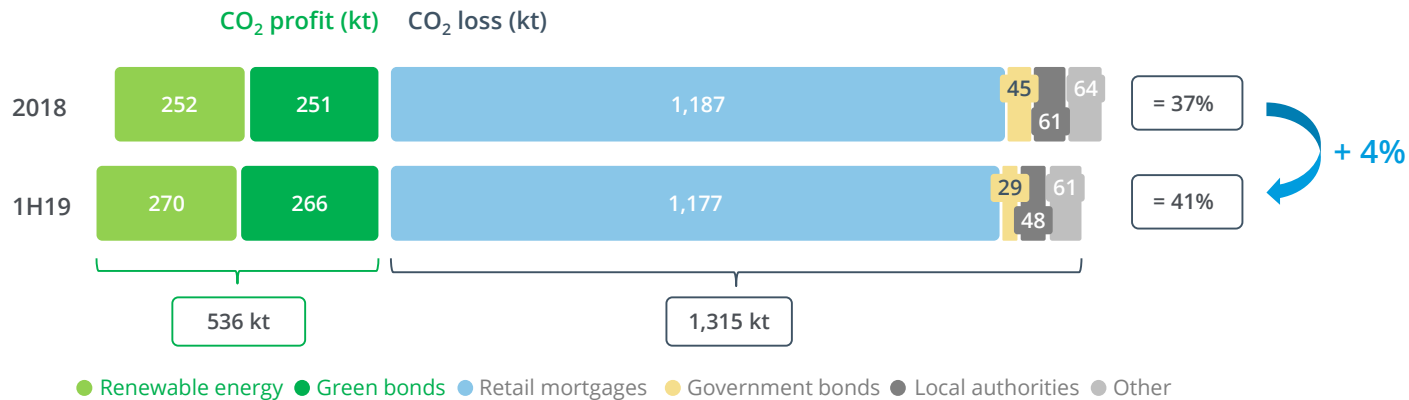
Cost/Income ratio²



- New capital targets; now set for 2020 and CET1 capital ratio target based on Basel IV fully phased-in
- Employee NPS target to be replaced by a new metric; introduction KPI for 'genuine attention'

Contributing to a sustainable society

Improvement climate-neutral balance sheet



- Increase in CO₂ profit driven by financing renewable energy projects, particularly four wind farms and investments in green bonds
- Decrease in CO₂ loss mainly due to a lower CO₂ loss from bonds of local authorities. The average energy label of the homes we finance showed a slight improvement
- We aim for a 45% climate-neutral balance sheet by 2020, rising to 100% by 2030

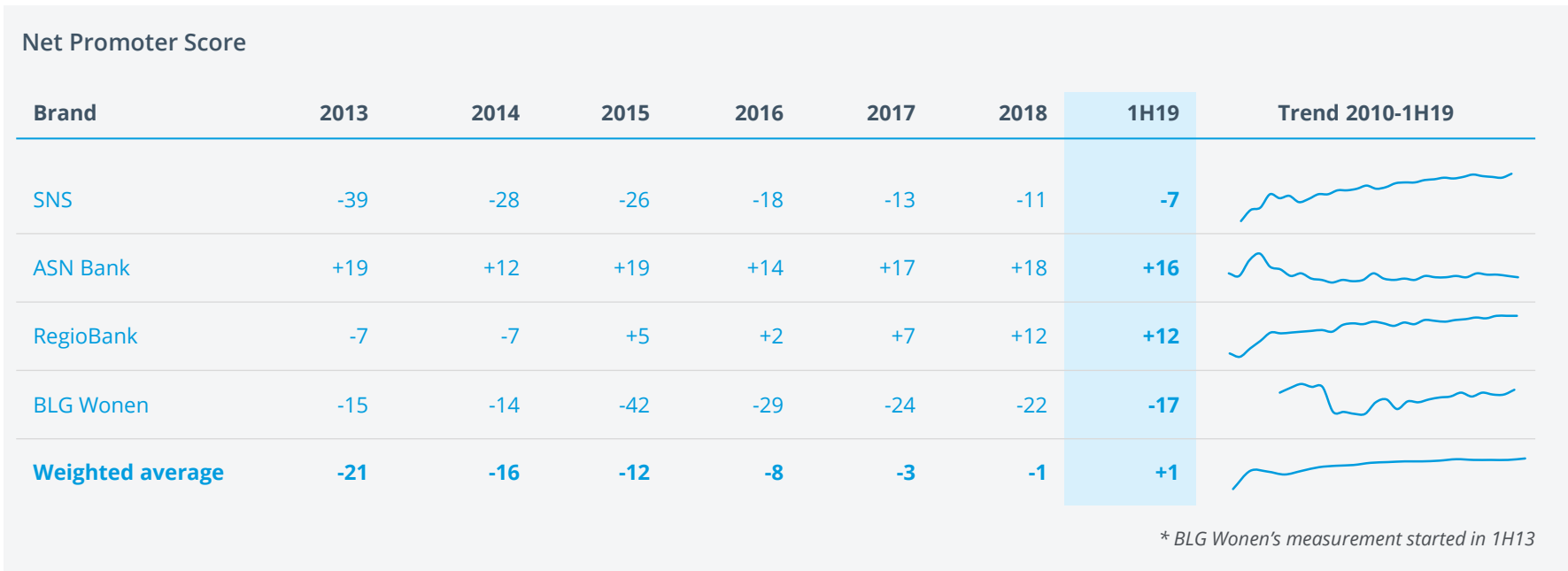
Publication of 'Green Bond Framework'

- We published a 'Green Bond Framework' that elaborates on the principles underlying green bonds. Based on this framework we can issue green bonds and use the proceeds to finance activities that contribute to lower CO₂ emissions

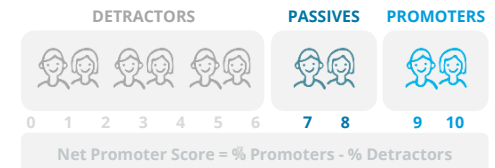


2. Commercial developments

Customer-weighted NPS improved to a positive score

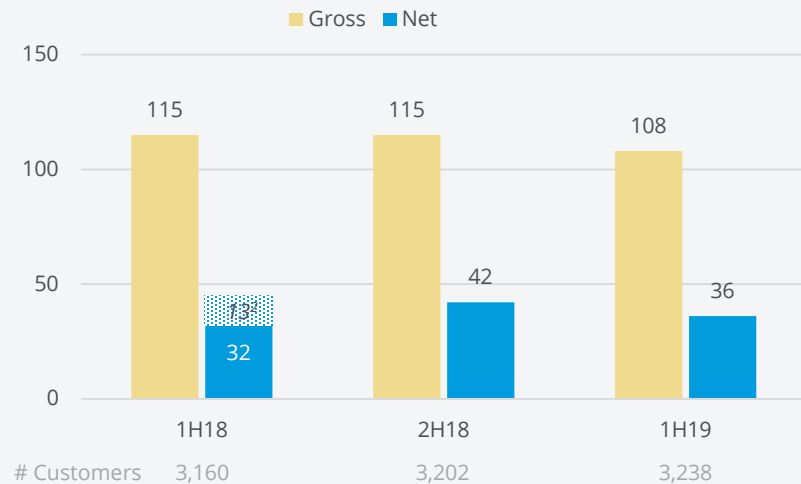


- In 1H19, our customer-weighted NPS reached a positive score for the first time, improving to +1, mainly due to a sharp improvement of the NPS at SNS and BLG Wonen
- ASN Bank (+16) and RegioBank (+12) remained among the select group of Dutch banks with a positive NPS

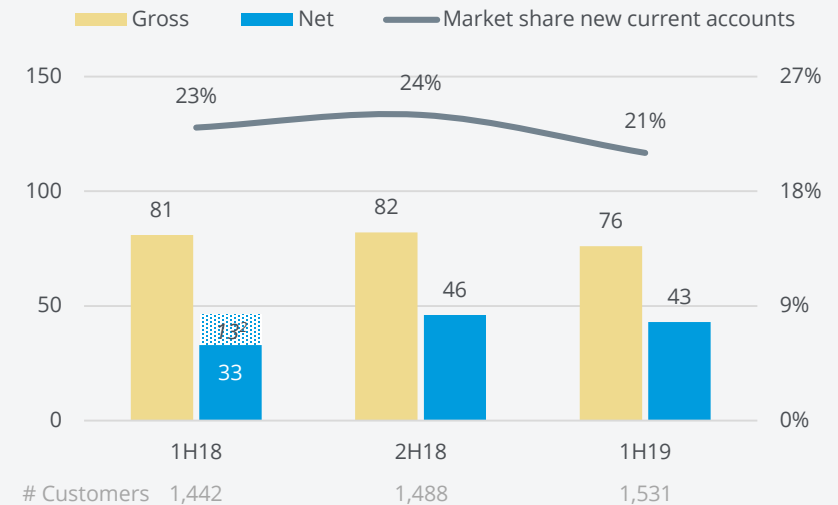


Growth in customer base driven by an increase in new current accounts; target of >1.5m current account customers already achieved

Development of customer base (in thousands)



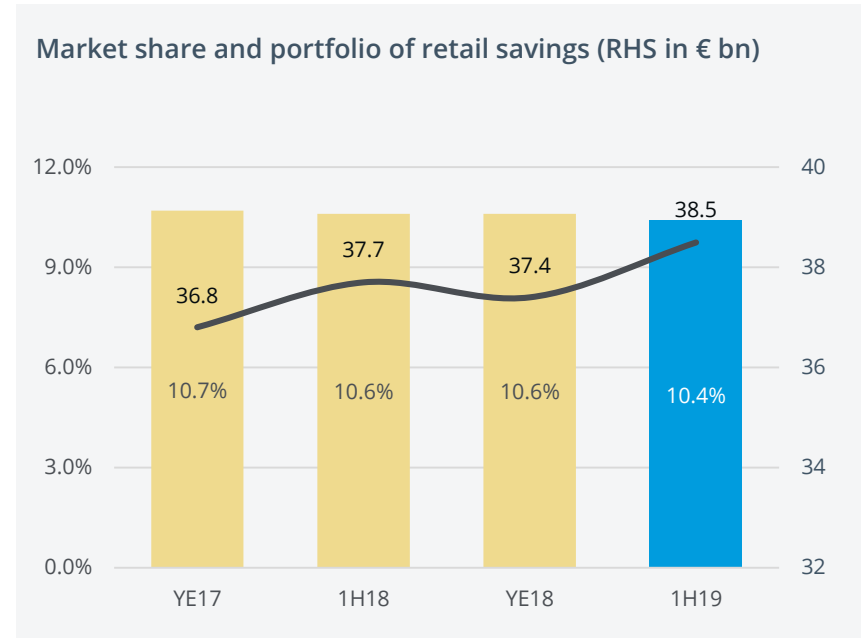
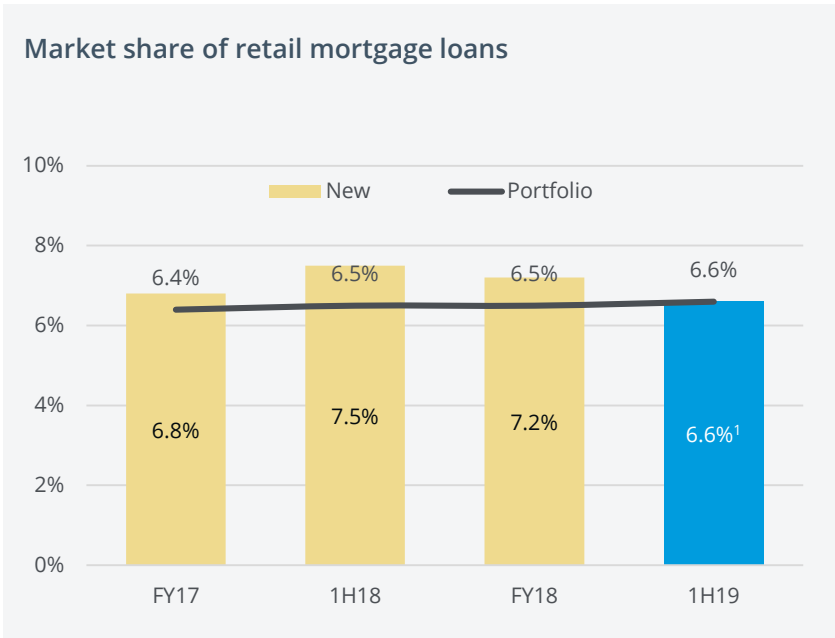
Development of current account customers (in thousands)



- Together, the brands of de Volksbank welcomed 108,000 new customers in 1H19 (net growth: 36,000)
- Net growth of 36,000 was up YoY as a result of an adjustment for inoperative current account customers (-13,000) in 1H18

- Due to an increase of 43,000 current account customers in 1H19, we already achieved our 2020 target of >1.5m current account customers
- In 1H19, 21% of new current accounts in the Netherlands was opened at one of our brands
- On a total portfolio basis, our market share in current accounts in the Netherlands remained stable at around 8%

Decrease in market share of new retail mortgage production

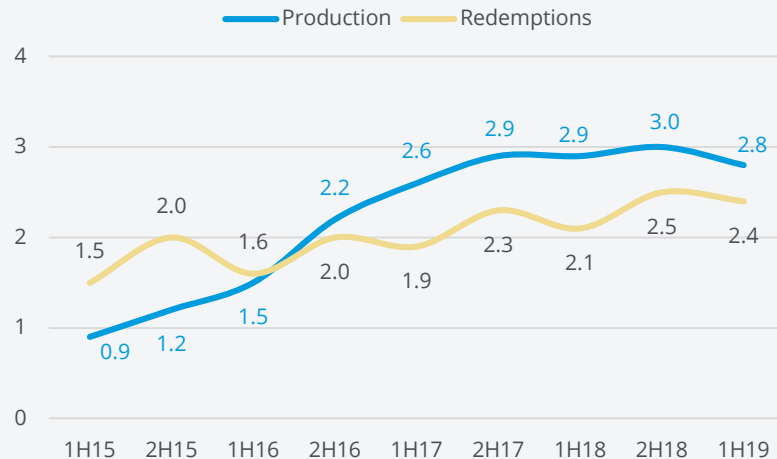


- In a contracting market for new mortgages, the new retail mortgage production decreased marginally to €2.8bn (1H18: €2.9bn). Our market share decreased to 6.6%
- On a total portfolio basis, market share of retail mortgage loans marginally higher at 6.6%

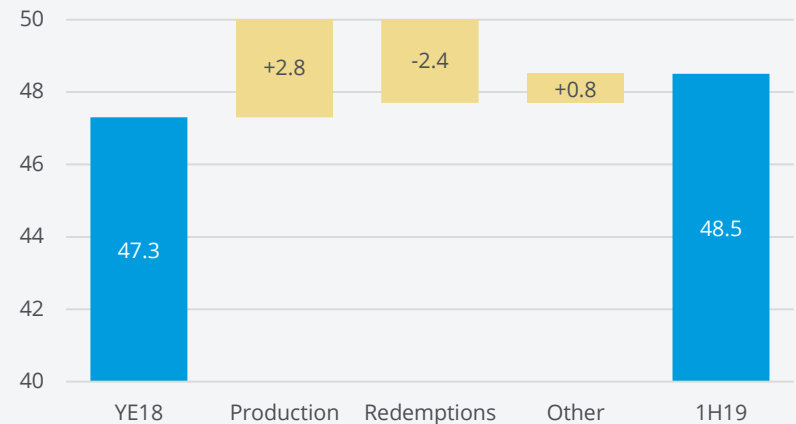
- Market share of retail savings marginally lower at 10.4%
- Retail savings balances increased slightly to €38.5bn, from €37.4bn at YE18

Continued growth of the retail mortgage portfolio

Mortgage production vs redemptions (in € bn)



Development of gross retail mortgage portfolio 1H19¹ (in € bn)



- The retail mortgage portfolio increased by €1.2bn to €48.5bn. Excluding IFRS value adjustments, the portfolio grew by €0.4bn as new mortgage production exceeded redemptions
- Total redemptions of €2.4bn were up 14% compared to 1H18, partly due to a growing portfolio, a higher number of people moving house and an increase in bridge loan redemptions. In addition, due to an increasing share of annuity mortgages in our portfolio, contractual repayments gradually increased
- Interest rate renewals decreased to €1.3bn (1H18: €1.7bn), of which ~20% early renewals (1H18: 30%)



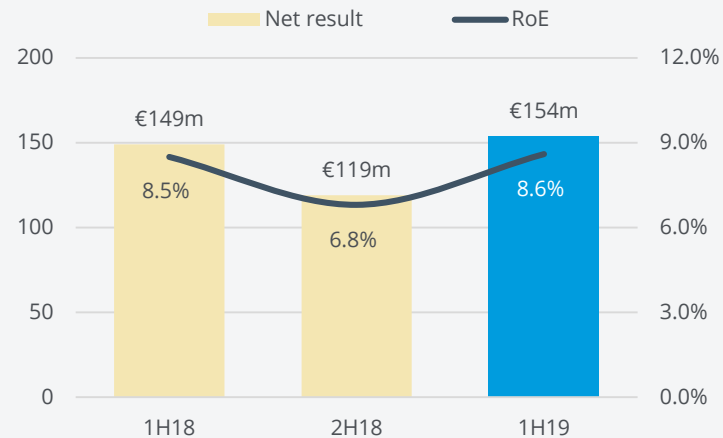
3. Financial results & outlook

Net profit of €154m; up compared to 1H18 and 2H18

Result (in € millions)

	1H18	2H18	1H19	1H19/ 1H18	1H19/ 2H18
Total income	480	478	471	-2%	-1%
Total operating expenses	301	308	278	-8%	-10%
Impairment charges	-16	4	-13		
Result before tax	195	166	206	+6%	+24%
Taxation	46	47	52		
Net result	149	119	154	+3%	+29%
Return on equity	8.5%	6.8%	8.6%		

Net result and Return on Equity



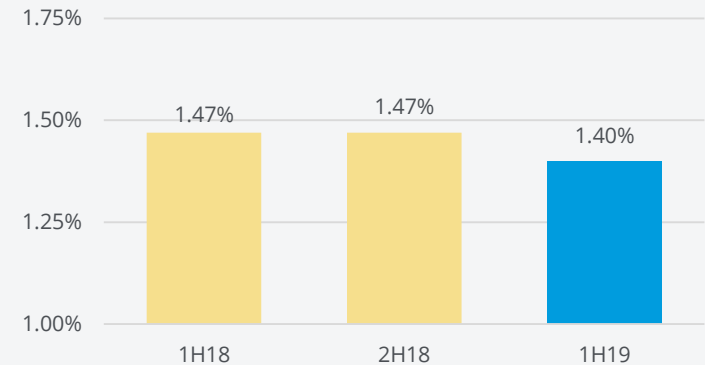
- Net profit of €154m was up compared to 1H18 (+3%) and to 2H18 (+29%)
- Compared to 1H18, the net profit increased by €5m. This was mainly due to lower operating expenses (-€23m), partly offset by lower total income (-€9m) and a lower net release of loan loss provisions (-€3m). In addition, the effective tax burden was slightly higher in 1H19
- Compared to 2H18, net profit increased by €35m. This increase was predominantly attributable to €30m lower total operating expenses and a €17m swing in impairment charges, partly offset by €7m lower total income
- Return on Equity of 8.6%; slightly up compared to 1H18 (8.5%) due to a higher net result, partly offset by a higher average level of equity

Net interest income slightly lower compared to 1H18 and 2H18

Income (in € millions)

	1H18	2H18	1H19	1H19/ 1H18	1H19/ 2H18
Net interest income	455	453	442	-3%	-2%
Net fee and commission income	21	23	25		
Investment income	-3	6	8		
Results on financial instruments	7	-5	-5		
Other income	-	1	1		
Total income	480	478	471	-2%	-1%

Net interest margin (as a % of average assets)



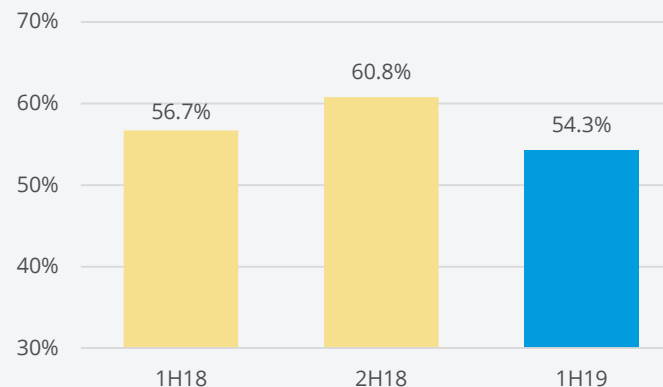
- Net interest income decreased by €13m to €442m (-3% YoY), mainly due to lower income from mortgages as a result of (early) renewals and new production at lower rates. This was partly offset by the growth of the mortgage portfolio, lower hedging costs and reductions in savings interest rates
- Net interest margin decreased from 1.47% to 1.40%, driven by both lower net interest income and higher average assets
- Net fee and commission income increased by €4m to €25m (+19%), mainly driven by higher commissions received for payment transactions and mortgage advice
- Investment income increased to €8m, largely due to higher realised results on fixed-income investments, sold as part of asset and liability management and the optimisation of the investment portfolio
- The swing in the result on financial instruments in 1H19 was mainly attributable to lower trading results and a lower result due to hedging ineffectiveness from derivatives

Adjusted operating expenses 6% lower compared to 1H18; 12% lower compared to 2H18

Operating expenses (in € millions)

	1H18	2H18	1H19	1H19/ 1H18	1H19/ 2H18
Total operating expenses	301	308	278	-8%	-10%
Regulatory levies	29	18	23	-21%	+28%
Adj. operating expenses	272	290	255	-6%	-12%
Total FTEs	3,926	3,797	3,693	-6%	-3%
Internal FTEs	3,155	2,993	3,015	-4%	+1%
External FTEs	771	804	678	-12%	-16%

Cost/Income ratio adjusted for regulatory levies



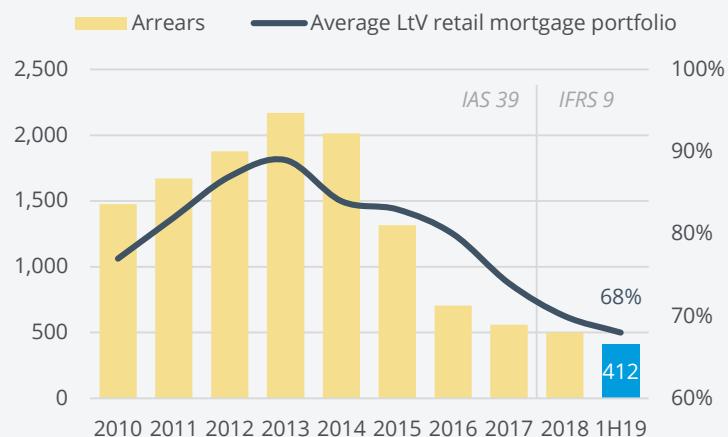
- Operating expenses excluding regulatory levies decreased to €255m (-€17m), primarily as a result of lower staff and marketing costs. On balance, the impact of exceptional items on total operating expenses was slightly positive (€5m); 1H19 included a positive revaluation of €7m related to a previous contribution to the DGS in relation to the insolvency of DSB and €2m in reorganisation costs (1H18 included a €10m release of a provision mostly related to the SME derivative framework and €9m in reorganisation costs)
- Regulatory levies were lower at €23m, of which €7m (1H18: €14m) was related to the resolution fund contribution and €16m (1H18: €15m) to the ex-ante DGS contribution
- Compared to YE18, the number of internal FTEs increased marginally to 3,015 (+1%), mainly as a result of filling of vacancies that were temporarily filled by external employees. As a result of this, and the progress of reorganisations and completion of projects, the number of external employees dropped from 804 to 678 FTE

Release of loan loss provisions driven by improved economic outlook; quality retail mortgage loans continued to improve

Loan impairments (in € millions)

	1H18	2H18	1H19
Retail mortgage loans	-8	--	-8
SME loans	-7	2	-3
Retail other loans	-2	1	--
Other	1	1	-2
Total loan impairment charges	-16	4	-13
Cost of risk retail mortgages	-0.03%	0.00%	-0.03%
Cost of risk total loans	-0.07%	0.01%	-0.05%

Retail mortgages in arrears; average LtV

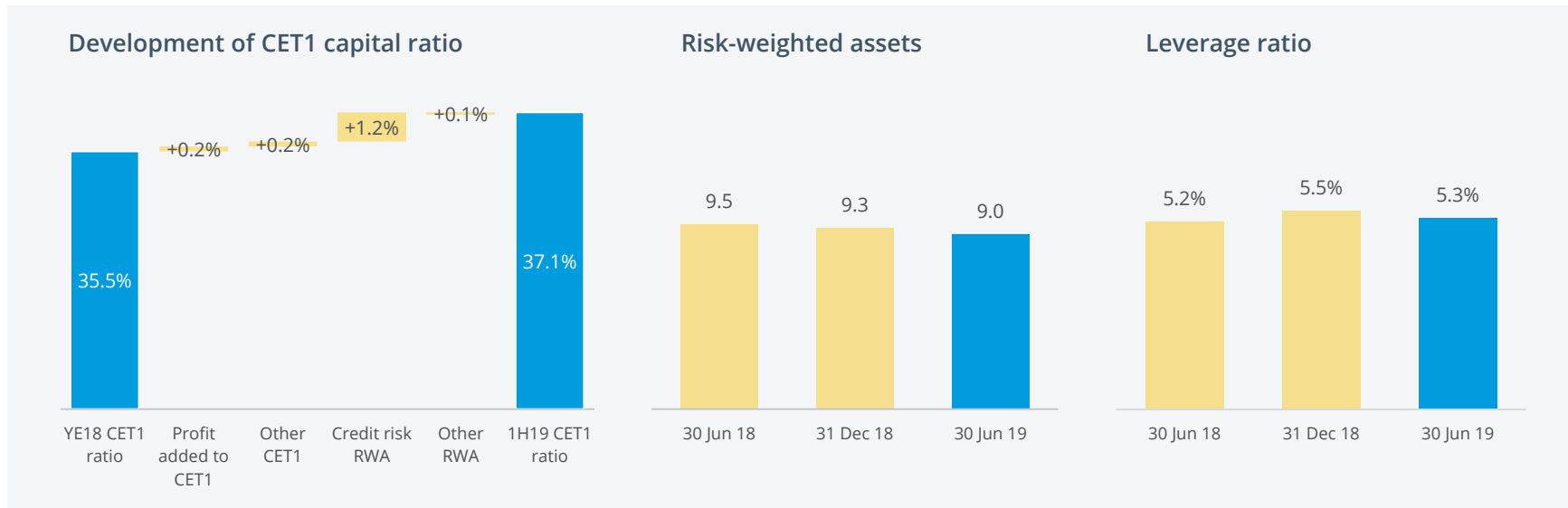


Breakdown retail mortgage loans (in € millions)

	YE18	1H19	% of total
Gross loans	46,824	47,162	100%
- of which stage 1	44,236	45,005	95.4%
- of which stage 2	2,039	1,657	3.5%
- of which stage 3	549	500	1.1%
Stage 3 coverage ratio	8.4%	8.4%	

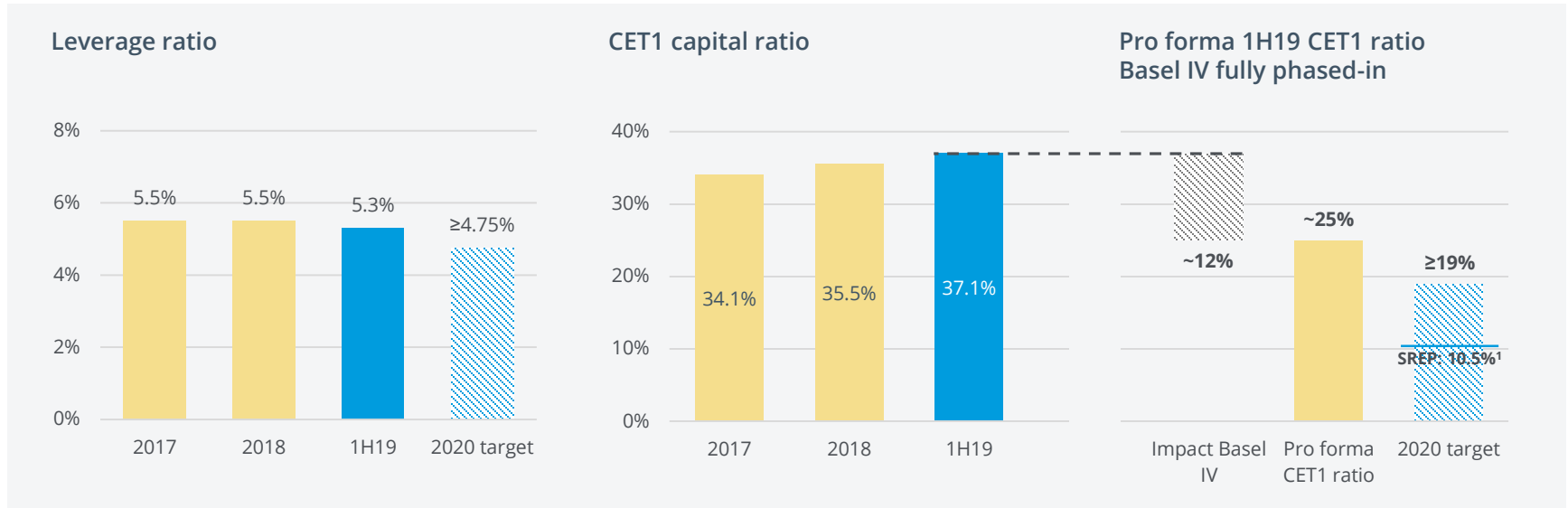
- Improved macro-economic conditions, specifically the Dutch housing market and unemployment, resulted in a net release of loan loss provisions of €13m; of which €8m at retail mortgages and €3m at SME loans
- Retail mortgages in arrears (more than 1 day) declined from €502m to €412m, 0.9% of total gross loans
- The average LtV of retail mortgage loans declined further to 68% (YE18: 70%)

Further improvement in CET1 ratio mainly driven by decline in RWA



- In 1H19, the CET1 ratio increased to 37.1%, mainly driven by a decline in risk-weighted assets (RWA)
- The decline in RWA to €9.0bn was mainly caused by a reduction related to the credit risk of the retail mortgage portfolio
- In 1H19, the leverage ratio declined to 5.3%, mainly driven by the growth of the balance sheet total (+€3bn)
- De Volksbank was part of the Targeted Review Internal Model (TRIM) carried out by the supervisory authority in 2018. The latter imposed a temporary mandatory adjustment of the credit risk model parameters, which will be incorporated with effect from the end of 3Q19. Based on our balance sheet position as at the end of June 2019, we expect a resulting increase of €10m in the IRB shortfall and an RWA increase of €0.8bn. This is estimated to impact the CET1 ratio by -3.1%-points
- Based on the balance sheet position as at 30 June 2019, we estimate that our RWA will increase by approximately 48%¹ as a result of the full phase-in of Basel IV and in a decrease in our CET1 capital ratio of approximately 12 percentage points. The aforementioned RWA impact from the TRIM is based on the internal modelling approach and will therefore no longer apply effectively when the RWA is determined after full phase-in of Basel IV

Updated capital targets for 2020



- We adjusted our capital targets: a 2020 leverage ratio target of at least 4.75% (previously: at least 4.25%) and a 2020 CET1 capital ratio target of at least 19%, based on the fully phased-in Basel IV rules (previously: at least 15%)
- Our leverage ratio target of at least 4.75% is in line with the expected leverage ratio of comparable European banks and includes an ample management buffer to withstand severe stress situations
- In our CET1 capital ratio target of at least 19.0%, we have, on top of the SREP requirement of 10.5% and the Pillar 2 Guidance, included an ample management buffer to factor in severe stress situations and other uncertainties, such as the impact of future regulatory requirements
- Capital that is expected to sustainably exceed our minimum targets is available for distribution, subject to regulatory approval
- We estimate that our CET1 capital ratio, following the full phase-in of Basel IV, will still exceed our target of at least 19%

Outlook

- In line with the development in the first half of 2019, we expect net interest income in 2019 to be lower compared to 2018, mainly due to lower interest income on mortgages
- The expected decrease in total operating expenses in 2019 compared to 2018 will largely compensate for the lower interest income
- For the second half of 2019, we no longer expect a net release of loan loss provisions
- All things considered, we expect the net result for 2019 to be in line with 2018



Questions & answers



Appendix

Summary P&L

In € millions	2017	2018	1H15	2H15	1H16	2H16	1H17	2H17	1H18	2H18	1H19
Net interest income	924	908	515	479	486	452	476	448	455	453	442
Net fee and commission income	49	44	24	24	31	26	26	23	21	23	25
Other income	55	6	96	(12)	7	32	27	28	4	2	4
Total income	1,028	958	635	490	524	510	529	499	480	478	471
Total operating expenses	603	609	266	324	312	330	299	304	301	308	278
Other expenses	--	--	--	22	1	--	--	--	--	--	--
Impairment charges	(24)	(12)	44	(7)	(45)	(23)	(20)	(4)	(16)	4	(13)
Total expenses	579	597	310	339	268	307	279	300	285	312	265
Result before tax	449	361	325	151	256	203	250	199	195	166	206
Taxation	120	93	81	47	65	45	63	57	46	47	52
Net result	329	268	244	104	192	157	187	142	149	119	154
Incidental items	13	--	47	(34)	(12)	(13)	(1)	14	--	--	--
Adjusted net result	316	268	197	138	204	170	188	128	149	119	154
Ratios											
Cost/Income ratio	54.5%	58.7%	42.0%	62.9%	54.4%	61.0%	51.3%	57.9%	56.7%	60.8%	54.3%
Cost/Asset ratio	0.91%	0.91%	0.80%	0.96%	0.90%	0.99%	0.88%	0.94%	0.88%	0.94%	0.81%
Net interest margin	1.50%	1.47%	1.54%	1.49%	1.52%	1.43%	1.55%	1.46%	1.47%	1.47%	1.40%
Cost of risk retail mortgages	-0.05%	-0.01%	0.15%	0.00%	-0.18%	-0.11%	-0.08%	-0.02%	-0.03%	0.01%	-0.03%
RoE	9.1%	7.6%	15.7%	6.4%	11.4%	8.9%	10.5%	7.8%	8.5%	6.8%	8.6%
Adjusted RoE	8.7%	7.6%	12.7%	8.5%	12.1%	9.7%	10.5%	7.0%	8.5%	6.8%	8.6%

Summary balance sheet

In € millions	31-12-2015	30-06-2016	31-12-2016	30-06-2017	31-12-2017	30-06-2018	31-12-2018	30-06-2019
Total assets	62,690	64,408	61,588	60,986	60,892	62,534	60,948	63,941
Cash and cash equivalents	2,259	3,110	1,911	2,742	2,180	3,114	815	1,948
Loans and advances to banks	2,081	3,333	2,918	2,125	2,643	2,373	3,589	4,208
Loans and advances to customers	49,217	48,697	48,620	48,813	49,459	50,197	50,536	51,551
Derivatives	1,993	1,864	1,533	1,340	1,075	898	732	705
Investments	6,376	6,646	5,970	5,337	5,094	5,331	4,782	4,914
Tangible assets	77	74	73	71	67	65	63	60
Intangible assets	15	14	15	14	14	11	6	4
Deferred tax assets	284	367	137	122	110	94	70	56
Corporate income tax	--	--	--	32	22	120	63	78
Other assets	278	303	411	390	228	331	292	342
Assets held for sale	110	--	--	--	--	--	--	--
Total liabilities and equity	62,690	64,408	61,588	60,986	60,892	62,534	60,948	63,941
<i>Savings</i>	<i>36,860</i>	<i>37,666</i>	<i>36,593</i>	<i>37,373</i>	<i>36,756</i>	<i>37,674</i>	<i>37,376</i>	<i>38,475</i>
<i>Other amounts due to customers</i>	<i>10,580</i>	<i>11,482</i>	<i>10,835</i>	<i>10,658</i>	<i>10,306</i>	<i>10,835</i>	<i>10,841</i>	<i>11,298</i>
Amounts due to customers	47,440	49,148	47,428	48,031	47,062	48,509	48,217	49,773
Amounts due to banks	1,000	1,522	1,446	1,064	2,683	2,859	1,116	891
Debt certificates	6,941	6,008	5,696	5,564	4,920	5,378	5,822	6,490
Derivatives	2,189	2,536	1,861	1,450	1,252	1,091	1,120	1,927
Deferred tax liabilities	216	282	59	46	45	20	15	21
Corporate income tax	--	90	25	--	--	--	--	--
Other liabilities	11	808	891	645	590	598	487	671
Other provisions	978	77	120	115	125	112	98	78
Participation certificates and subordinated debt	493	505	501	498	501	511	502	512
Liabilities held for sale	37	--	--	--	--	--	--	--
Shareholders' equity	3,302	3,432	3,561	3,573	3,714	3,456	3,571	3,578

Key items balance sheet

Key items balance sheet (in € millions)

	31 Dec 18	30 Jun 19	Δ YoY
Total assets	60,948	63,941	+5%
Cash and cash equivalents	815	1,948	+139%
Loans and advances to customers	50,536	51,551	+2%
- of which retail mortgage loans	47,262	48,402	+2%
- of which retail other loans	86	74	-14%
- of which SME loans	702	692	-1%
- of which other, including (semi-) public sector loans	2,486	2,383	-4%
Loans and advances to banks	3,589	4,208	+17%
Investments	4,782	4,914	+3%
Amounts due to customers	48,217	49,773	+3%
- of which retail savings	37,376	38,475	+3%
- of which other amounts due to customers	10,841	11,298	+4%
Amounts due to banks	1,116	891	-20%
Debt certificates	5,822	6,490	+11%
Shareholders' equity	3,571	3,578	0%

Comments

- In 1H19, the balance sheet total increased by €3bn to €63.9bn, due to the growth in retail savings, covered bond issuances and the impact of decreased interest rates on derivatives
- The increase in the balance sheet was reflected in higher amounts due to customers (+€1.6bn), debt certificates (covered bond issuances: +€0.7bn) and derivatives (liabilities; +€0.8bn)
- The increase in amounts due to customers and debt certificates was, on the asset side, reflected in higher cash and cash equivalents (€1.1bn) and higher loans and advances to banks (€0.6bn)
- Retail mortgage loans increased by €1.2bn, of which €0.8bn related to IFRS value adjustments and €0.4bn due to organic growth, as new production exceeded redemptions
- Shareholders' equity increased by €7m to ~€3.6bn; 1H19 net profit retention (€154m) and an increase of the fair value reserve (€18m) were almost offset by dividend payout over 2018 (€161m) and a decrease of other reserves due to the implementation of IFRS 16 (€2m)

Breakdown of loans and advances to customers

in € millions	30 June 2018			31 December 2018			30 June 2019		
	Gross amount	Loan loss provision	Coverage ratio	Gross amount	Loan loss provision	Coverage ratio	Gross amount	Loan loss provision	Coverage ratio
Stage 1	46,865	4	0.0%	47,149	4	0.0%	47,926	4	0.0%
- of which retail mortgage loans	43,706	2	0.0%	44,236	2	0.0%	45,005	2	0.0%
- of which retail other loans	82	--	0.0%	74	--	0.0%	64	--	0.0%
- of which SME loans	553	1	0.2%	558	1	0.2%	565	1	0.2%
- of which other commercial loans and loans to public sector	2,524	1	0.0%	2,281	1	0.0%	2,292	1	0.0%
Stage 2	2,348	21	0.9%	2,360	21	0.9%	1,844	17	0.9%
- of which retail mortgage loans	2,030	11	0.5%	2,039	10	0.5%	1,657	9	0.5%
- of which retail other loans	13	1	7.7%	14	2	14.3%	11	1	9.1%
- of which SME loans	103	8	7.8%	99	7	7.1%	85	6	7.1%
- of which other commercial loans and loans to public sector	202	1	0.5%	208	2	1.0%	91	1	1.1%
Stage 3	759	106	14.0%	657	101	15.5%	595	87	14.6%
- of which retail mortgage loans	634	48	7.6%	549	46	8.4%	500	42	8.4%
- of which retail other loans	28	27	96.4%	22	22	100%	15	14	93.3%
- of which SME loans ¹	97	31	32.0%	86	33	38.4%	80	31	38.8%
- of which other commercial loans and loans to public sector	--	--	--	--	--	--	--	--	--
Total stage 1, 2, 3	49,972	131	0.3%	50,166	126	0.3%	50,365	108	0.2%
- of which retail mortgage loans	46,370	61	0.1%	46,824	58	0.1%	47,109	53	0.1%
- of which retail other loans	123	28	22.8%	110	24	21.8%	75	15	16.7%
- of which SME loans	753	40	5.3%	743	41	5.5%	692	38	5.2%
- of which other commercial loans and loans to public sector	2,726	2	0.1%	2,489	3	0.1%	2,381	2	0.1%
IFRS value adjustments ²	356	--	--	496	--	--	1,293	--	--
Total loans and advances to customers	50,328	129	0.3%	50,662	126	0.2%	51,658	108	0.2%
Off-balance sheet items ³	2,425	6	0.2%	2,444	5	0.2%	2,191	4	0.2%
Total on and off-balance sheet	52,753	136	0.3%	53,106	131	0.2%	53,849	112	0.2%

[1] Gross SME loans include mortgage-backed loans for a gross amount of € 661 million

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

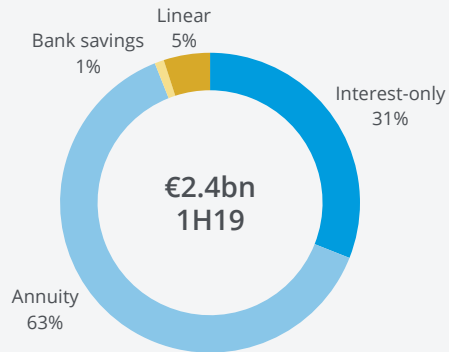
[3] Off-balance sheet: liabilities from irrevocable facilities, guarantees and repurchase commitments

Quality of retail mortgage loans

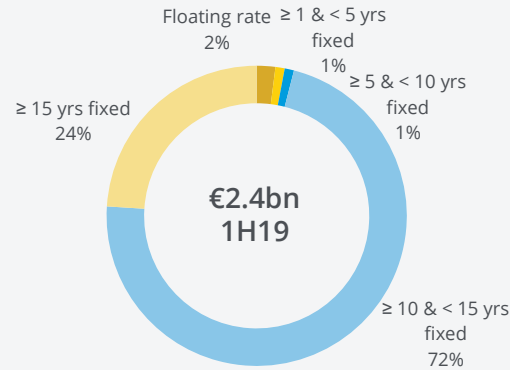
in € millions	1 Jan 18	30 Jun 2018	31 Dec 2018	30 Jun 2019
Gross loans	45,551	46,370	46,824	47,162
- of which stage 1	42,366	43,706	44,236	45,005
- of which stage 2	2,467	2,030	2,039	1,657
- of which stage 3	718	634	549	500
Loan loss provisions	74	61	58	53
- of which stage 1	3	2	2	2
- of which stage 2	17	11	10	9
- of which stage 3	53	48	46	42
Stage 2 as a % of gross loans	5.3%	4.4%	4.4%	3.5%
Stage 2 coverage ratio ¹	0.7%	0.5%	0.5%	0.5%
Stage 3 as a % of gross loans	1.5%	1.4%	1.2%	1.1%
Stage 3 coverage ratio ¹	7.4%	7.6%	8.4%	8.4%
Net loans excluding IFRS adjustments	45,477	46,309	46,766	47,109
IFRS adjustments	295	356	496	1,293
Total net loans	45,772	46,665	47,262	48,401
Irrevocable loan commitments and financial guarantee contracts ²	1,967	1,769	1,796	1,692
Provision off-balance sheet items	1.0	1.0	0.0	1.0
Coverage ratio off-balance sheet items	0.1%	0.1%	0.0%	0.0%
Total gross on- and off-balance sheet exposure	47,518	48,339	48,620	48,854
Impairment charges	--	-8	-8	-8
Provision as a % of gross loans	0.16%	0.13%	0.12%	0.11%
Cost of risk ³	--	-0.03%	-0.02%	-0.03%

Retail mortgage production

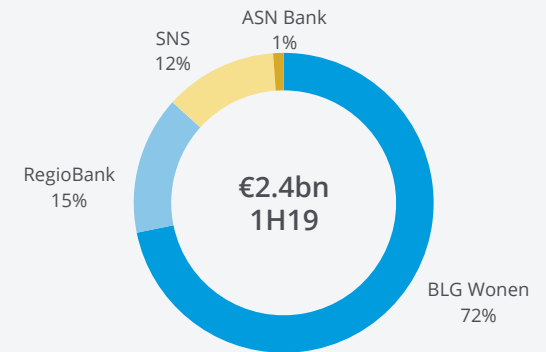
Retail mortgage production by redemption type



Retail mortgage production by interest type



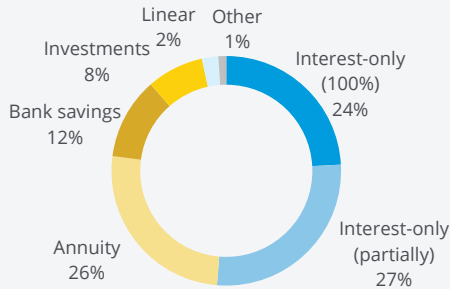
Retail mortgage production by brand on own book



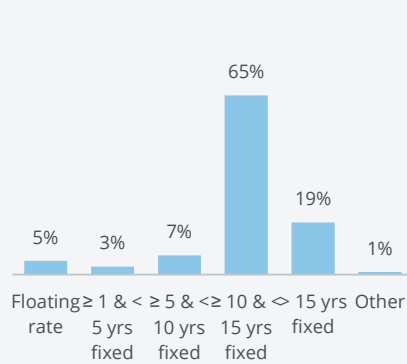
- 63% of new retail mortgages are annuity mortgages. Only new annuity or linear mortgages benefit from tax deductibility of the mortgage interest paid
- 31% of retail mortgage production are interest-only mortgages due to the refinancing/conversion of loans originated before 2013
- Continued strong demand for mortgages with longer term fixed-rate periods
- All brands contributed to the increase in new retail mortgages

Retail mortgage portfolio

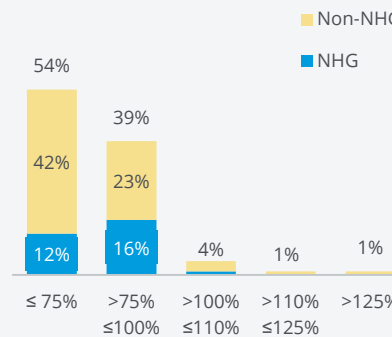
Retail mortgages by redemption type 1H19: €47.1bn¹



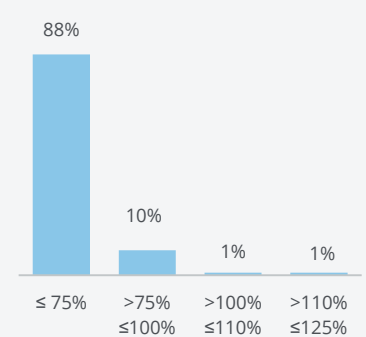
Retail mortgages by fixed-rate period 1H19: €47.1bn¹



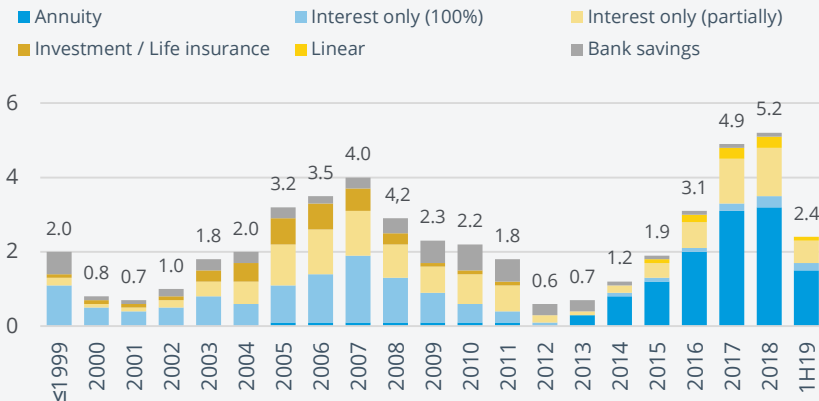
Retail mortgages by LtV bucket 1H19: €45.0bn²



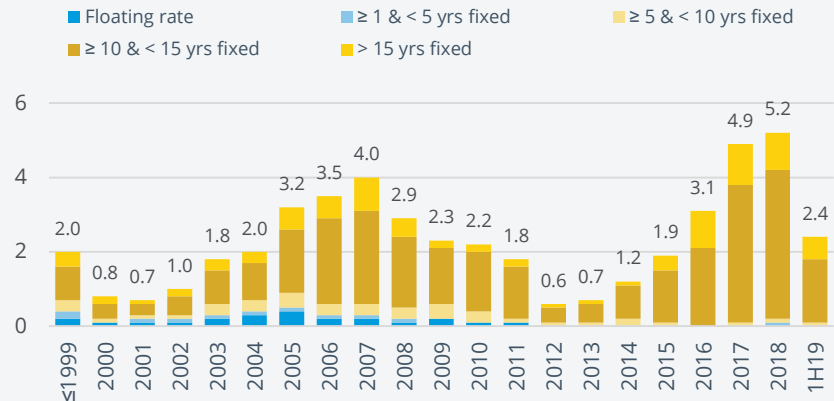
Interest-only (100%) mortgages by LtV bucket



Retail mortgages by year of origination and redemption type (in € billions)



Retail mortgages by year of origination and fixed-rate period (in € billions)



[1] Total net retail mortgage loans (€48.4bn) +/- provision (€0.1bn) -/- accrued interest (€0.1bn) -/- IFRS value adjustments (€1.3bn)

[2] Total net retail mortgage loans (€48.4bn) +/- provision (€0.1bn) -/- IFRS value adjustments (€1.3bn), accrued interest (€0.1bn), savings parts (€2.1bn)

Quality of SME loans

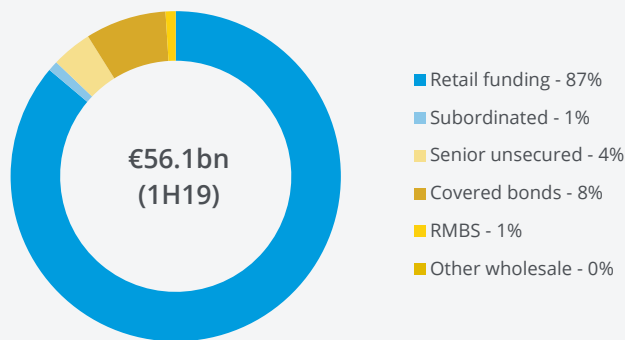
in € millions	1 Jan 18	30 Jun 2018	31 Dec 2018	30 Jun 2019
Gross loans	791	753	743	730
- of which stage 1	558	553	558	565
- of which stage 2	123	103	99	85
- of which stage 3	110	97	86	80
Loan loss provisions	49	40	41	38
- of which stage 1	1	1	1	1
- of which stage 2	12	8	7	6
- of which stage 3	36	31	33	31
Stage 2 as a % of gross loans	16.3%	13.7%	13.3%	11.6%
Stage 2 coverage ratio ¹	9.8%	7.8%	7.1%	7.1%
Stage 3 as a % of gross loans	14.6%	12.9%	11.6%	11.0%
Stage 3 coverage ratio ¹	32.7%	32.0%	38.4%	38.8%
Net loans excluding IFRS adjustments	742	713	702	692
IFRS adjustments	--	--	--	--
Total net loans	742	713	702	692
Irrevocable loan commitments and financial guarantee contracts	38	36	36	38
Provision off-balance sheet items	0.3	0.3	0.3	0.3
Coverage ratio off-balance sheet items	0.8%	0.8%	0.8%	0.8%
Total gross on and off-balance sheet exposure	829	789	779	768
Impairment charges	--	-7	-5	-3
Provision as a % of gross loans	6.2%	5.3%	5.5%	5.2%
Cost of risk ²	--	-1.98%	-0.75%	-0.69%

Quality of retail other loans

in € millions	1 Jan 18	30 Jun 2018	31 Dec 2018	30 Jun 2019
Gross loans	143	123	110	90
- of which stage 1	92	82	74	64
- of which stage 2	17	13	14	11
- of which stage 3	34	28	22	15
Loan loss provisions	34	28	24	15
- of which stage 1	0	0	0	0
- of which stage 2	2	1	2	1
- of which stage 3	32	27	22	14
Stage 2 as a % of gross loans	13.8%	10.6%	12.7%	12.2%
Stage 2 coverage ratio ¹	11.8%	7.7%	14.3%	9.1%
Stage 3 as a % of gross loans	27.6%	22.8%	20.0%	16.7%
Stage 3 coverage ratio ¹	94.1%	96.4%	100.0%	93.3%
Net loans excluding IFRS adjustments	109	95	86	75
IFRS adjustments	--	--	--	--
Total net loans	109	95	86	75
Irrevocable loan commitments and financial guarantee contracts	576	582	464	461
Provision off-balance sheet items	7	5	4	3
Coverage ratio off-balance sheet items	1.2%	0.9%	0.9%	0.7%
Total gross on and off-balance sheet exposure	719	705	574	551
Impairment charges	--	-2	-1	--
Provision as a % of gross loans	23.8%	22.8%	21.8%	16.7%
Cost of risk ²	--	-0.45%	-0.18%	-0.1%

Funding & liquidity

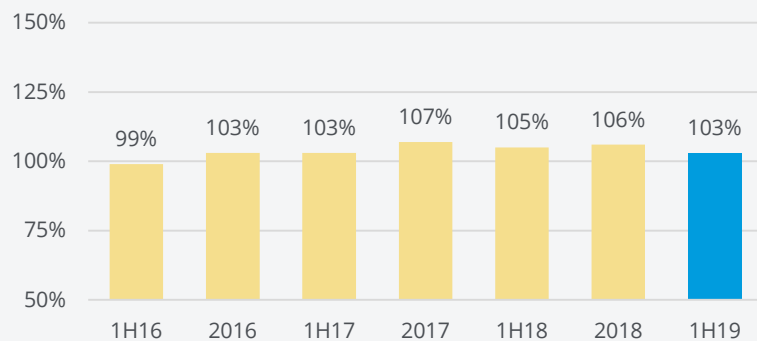
Funding mix



Liquidity position (in € millions)

	1H18	2018	1H19
Cash	4,240	2,447	3,570
Sovereigns	1,046	2,393	2,149
Regional/local governments & supranationals	819	975	871
Other liquid assets	426	437	431
Eligible retained RMBS	8,812	8,900	8,932
Total liquidity position²	15,343	15,152	15,953

Loan-to-Deposit ratio¹



- Retail funding remained stable in 1H19 at 87%
- Loan-to-Deposit ratio slightly lower at 103%
- Liquidity position remained high
- LCR and NSFR well above 100%

[1] The Loan-to-Deposit ratio is calculated by dividing retail loans by retail funding. As from June 2017, retail loans are adjusted for fair value adjustments from hedge accounting. Comparative figures have been adjusted accordingly [2] As of June 2018, the definition of the liquidity buffer has been changed. In addition to the cash position, the liquidity buffer consists of (highly) liquid assets for which it is now determined which unencumbered ECB-eligible bonds will be registered in the DNB collateral pool in ten days, because a ten-day horizon is also used for the cash position. We determine the liquidity value of the bonds in the liquidity buffer on the basis of the market value of the bonds after application of the haircut determined by the ECB. Comparative figures have been adjusted accordingly.

Investment portfolio

Breakdown by sector (in € billions)

	2018	%	1H19	%
Sovereigns	3.3	70%	3.4	69%
Financials	0.9	19%	1.0	21%
Corporates	0.5	11%	0.5	10%
Other	0.0	0%	0.0	0%
Total	4.8	100%	4.9	100%

Breakdown by maturity (in € billions)

	2018	%	1H19	%
< 3 months	0.1	2%	0.2	4%
< 1 year	0.2	5%	0.2	3%
< 3 years	0.5	11%	0.6	13%
< 5 years	1.3	28%	1.4	28%
< 10 years	2.3	49%	2.2	44%
< 15 years	0.2	4%	0.3	6%
> 15 years	0.1	2%	0.1	2%
Total	4.8	100%	4.9	100%

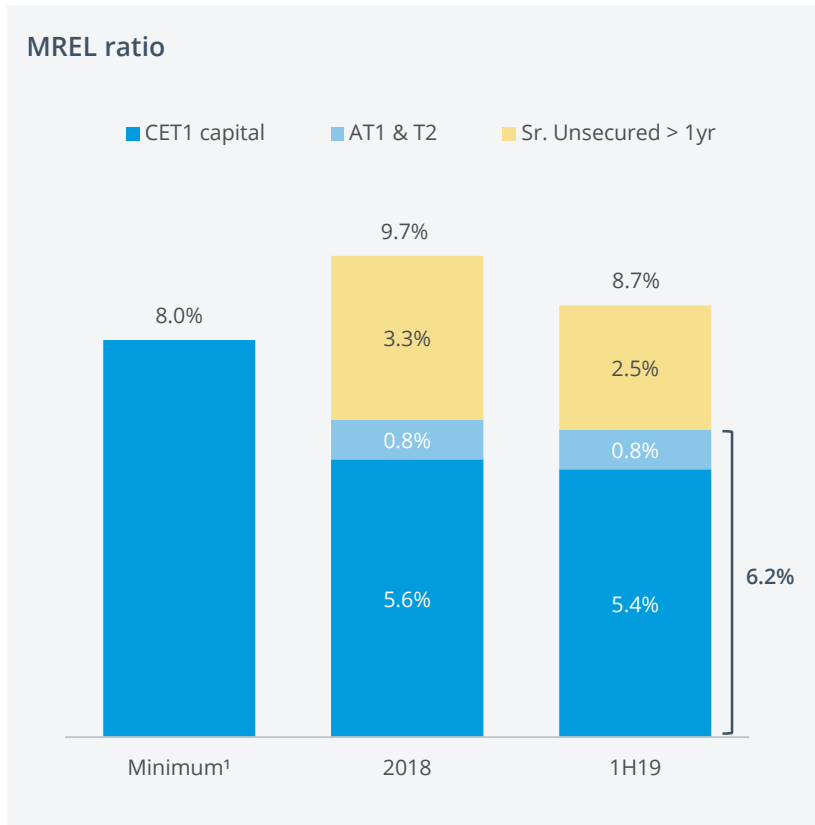
Breakdown by rating (in € billions)

	2018	%	1H19	%
AAA	2.8	58%	2.8	56%
AA	1.7	36%	1.9	38%
A	0.3	6%	0.3	6%
BBB	0.0	0%	0.0	0%
< BBB	0.0	0%	0.0	0%
No rating	0.0	0%	0.0	0%
Total	4.8	100%	4.9	100%

Breakdown by country (in € millions)

	2018	%	1H19	%
Netherlands	1,141	24%	1,106	23%
Germany	1,411	30%	1,451	30%
Other ¹	540	11%	488	11%
France	545	11%	634	11%
Belgium	627	13%	722	13%
Austria	362	8%	343	8%
Ireland	148	3%	160	3%
Total	4,775	100%	4,905	100%

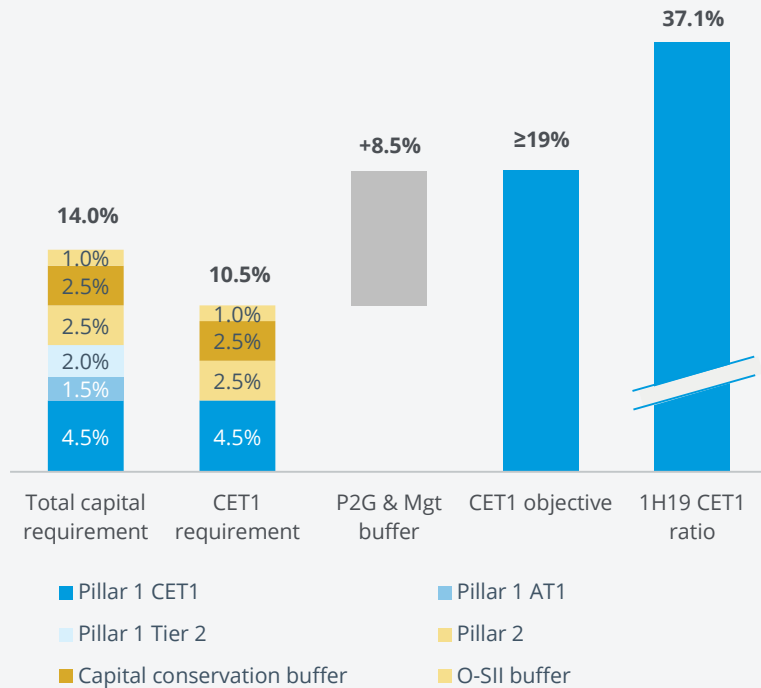
De Volksbank meets its current MREL requirement



- On 6 June 2018, the SRB set the non-risk weighted MREL for de Volksbank at 8.0% of total liabilities and own funds. The SRB confirmed this on 27 May 2019
- Since de Volksbank already complies with this requirement, the SRB decided there is no transitional period
- Including total capital and all other unsecured liabilities that are MREL eligible according to the current BRRD, the non-risk-weighted MREL ratio amounts to 8.7% as per 1H19
- The risk-weighted MREL ratio including only eligible liabilities subordinated to unsecured liabilities amounts to 42.7% at 1H19
- The BRRD and the SRB's 2018 MREL policy lead us to expect that the MREL for de Volksbank – as an Other Systemically Important Institution (O-SII) – must, for at least 17.5% of RWA, consist of subordinated instruments
- Based on our current view on possible regulatory developments, the basic assumption in de Volksbank's capital planning is that the minimum non-risk-weighted MREL requirement of 8% must fully consist of subordinated instruments (Tier 1 and Tier 2 capital, and senior non-preferred (SNP) notes) as on 1 January 2024
- Given this point of departure and based on our current capital position, we expect to issue SNP notes totalling €1.0-1.5bn in the next five years
- De Volksbank is closely monitoring the developments concerning a potential MREL subordination requirement. We will adjust our capital planning if necessary

De Volksbank amply meets its SREP capital requirements

SREP capital requirement



- Based on the 2018 SREP and the full phase-in of both the O-SII buffer (from 0.75% in 2018 to 1.0% in 2019) and the capital conservation buffer (from 1.88% in 2018 to 2.5% in 2019), the Overall Capital Requirement (OCR) expressed in own funds increased from 13.13% in 2018 to 14.0% in 2019. Of our OCR at least 10.5% must consist of CET1 capital
- The OCR serves as the Maximum Distributable Amount trigger level, below which coupon or dividend payments are restricted
- De Volksbank's aims at a CET1 ratio of at least 19%, based on the fully phased-in Basel IV rules. This objective includes a Pillar 2 Guidance and management buffer of 8.5%

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