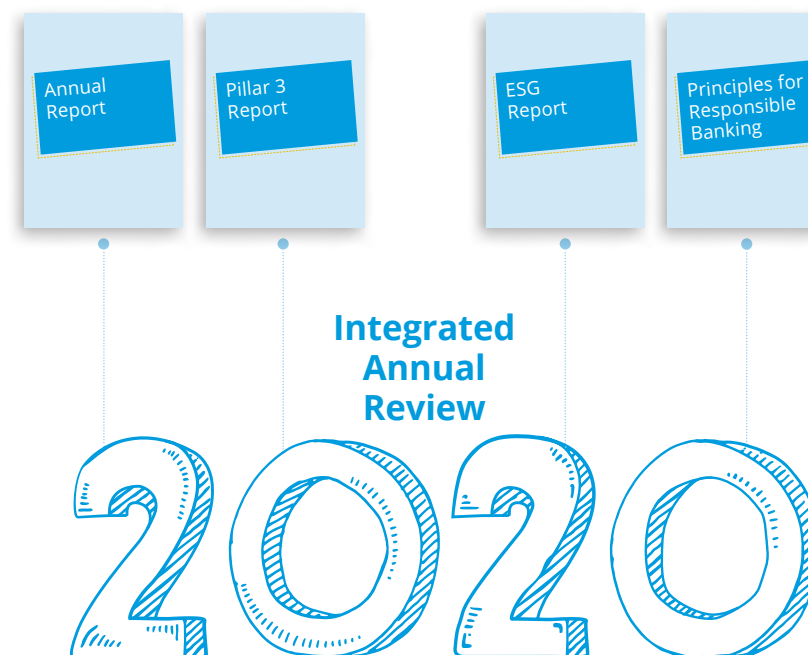


de volksbank Integrated Annual Review



NEW

An Integrated Annual Review of de Volksbank



This is our Integrated Annual Review 2020. As of this year we report according to the 'core & more' principle. This Integrated Annual Review is the 'core' report. It sets out how we dealt with opportunities and risks in 2020 and how we created value for our customers, society, our employees and our shareholder. Would you like more background information on certain subjects? You will find it in additional reports:

- **Annual Report 2020** containing the details of financial statements, our risk management and corporate governance.
- **Pillar 3 Report 2020** containing the mandatory reporting on capital requirements and risk management ensuing from the European Capital Requirements Regulation (CRR).
- **ESG Report 2020** which includes more information about on 'Environmental, Social and Governance' aspects.
- **Principles for Responsible Banking** explaining the progress made with the implementation of the sustainability principles¹.

This annual review contains a summary of our most important financial and social results for the past year. The so-called material topics are made recognisable throughout the annual overview with icons **MT**, just like our key performance indicators **KPI**.

The Integrated Annual Review 2020 was published on 11 March 2021 and is available in Dutch and English. The other publications are in English only and available [on our website](#).

1. Available online from March 22

Foreword

"For everyone, the year 2020 was dominated by Covid-19. The pandemic and the associated measures had far-reaching consequences for society, for the economic environment in which we operate, for our customers, and for our employees, who were forced to work largely from home from March onwards.

Despite all these developments, our brands SNS, ASN Bank, RegioBank and BLG Wonen successfully continued providing their services. Several initiatives helped us to get both retail customers and SME customers through the first and second lockdown.

As many people had financial concerns in 2020, especially in this day and age I am glad that people contact the bank and experience that we are ready to help them. In addition to financial resilience – and currently Covid-19 – the climate is another issue that urgently needs to be addressed. That is why we have set ourselves ambitious goals to contribute to CO₂ reduction and biodiversity promotion. This annual review will give you much more information about how we intend to achieve these goals.

Given the exceptional situation in 2020, we are satisfied with the results and our unvaryingly strong capital position. They both give us a sound starting position for the challenges that lie ahead.

Maurice Oostendorp, Chairman of the Board of Directors since 2015, left de Volksbank in August 2020. Looking back, we conclude that much has

been accomplished in the past five years. Under Maurice's direction, de Volksbank was able to further shape its social role, both the number of customers and customer appreciation rose sharply, and solid financial results were achieved. As a result, we are indebted to Maurice. Personally, I am grateful for the way in which Maurice transferred his chairmanship to me.

In 2020, the Board of Directors experienced differences of opinion that resulted in the departure of the CFO and COO for a variety of reasons. In response, an independent survey was commenced of the Board dynamics at the bank of which the results were shared with the parties involved in February 2021. Among other things, the researchers found that the dynamics in the management and the interaction between the Board of Directors and the Supervisory Board were not optimal. In the meantime, measures have been taken to help ensure that there is a positive dynamic again.

On 12 February 2021, we have presented our strategy for the period 2021-2025: 'Better for each other - from promise to impact'. It is intended as a response to developments such as the increasing customer demand for digitisation in our services and more personal and good contact. The strategy also shows how we aim to control costs and diversify our income to alleviate the pressure that the low interest rate environment exerts on our returns.

I would like to take this opportunity to thank our customers for the trust they have given us the past

year. I would also like to thank all employees, who – often under difficult conditions – continued providing our services to the best of their ability.

As a bank, we want to continue to stand out with our social impact. We will also continue to work on a strong customer relationship and at the same time on solid financial results. Our mission 'banking with a human touch' and our promise 'better for each other' remain unchanged."

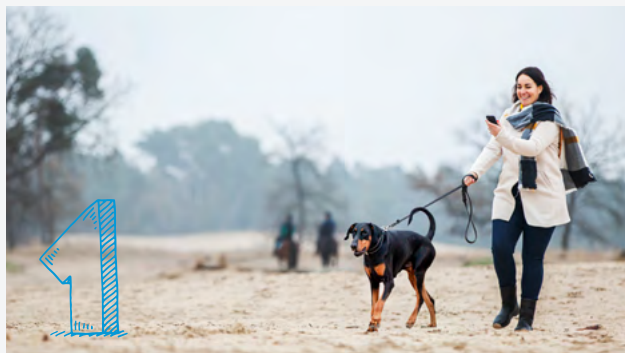
On behalf of the Board
of Directors of de Volksbank,

Martijn Gribnau
Chairman



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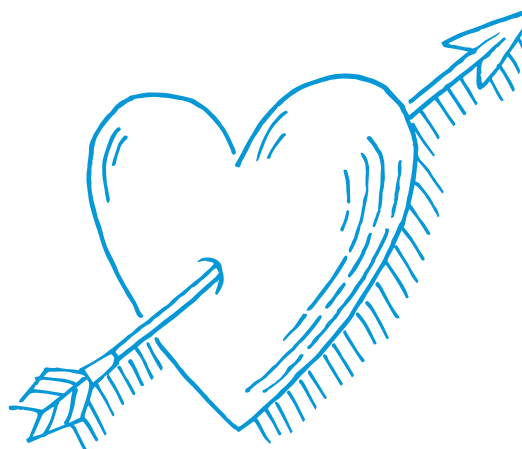
Summary

The year 2020 was dominated by the Covid-19 pandemic. Seeking to help our mortgage customers who encountered financial problems, from March onwards they were given the opportunity to take a payment holiday of up to six months. At the end of 2020, 1,591 retail customers made use of this scheme, which is slightly less than 1% of our retail customers. More than three quarters of these customers have now resumed their payments.

We also set up similar schemes for our SME customers with loans. Of the 342 entrepreneurs who used such a scheme at the end of 2020 (nearly 10% of the SME customers), again approximately three quarters have now resumed making payments.

In 2020, we also endeavoured to counter the increased threat of cybercrime, amongst other things by means of information campaigns by our brands, to help customers recognise the signs of a suspicious situation. In July, we decided with four other Dutch banks to establish Transaction Monitoring Netherlands (TMNL) in the collective fight against money laundering and terrorist financing. TMNL is an important addition to our own transaction monitoring activities.

Customers appreciate our efforts: the Net Promoter Scores improved at SNS and BLG Wonen; they remained at a high level at ASN Bank and RegioBank. At the end of 2020 the customer-weighted average NPS was +2, as against 0 at the end of 2019.



In 2020, we endeavoured to help our customers and employees get through the Covid-19 crisis as best as we could

The number of current account customers and savings deposits entrusted to us continued to grow in the past year. High prepayments exceeded new mortgage production and the mortgage portfolio showed a decline.

It is of paramount importance to us that we act on our responsibility for the joint interest of society, customers, employees and our shareholder. We again took a number of nice steps in the past year to live up to our mission and our promise of being 'better for each other':

- The climate neutrality of our balance sheet improved to 59% compared with 44% at the end of 2019. This means that we exceeded our target of 45% for the end of 2020.
- In July, we were the first bank in Europe to issue a € 500 million subordinated green Tier 2 bond. This was an appropriate next step after the first issue of a green bond, which was recognised internationally as 'Green Bond of the Year'.
- With a score of 51, we reached our target of a minimum score of 50 on the Financial Confidence Barometer and continued the upward trend from the baseline measurement in 2018.
- To stress our ambitions in the area of biodiversity preservation, we joined the Platform for Biodiversity Accounting Financials and de Volksbank adopted ASN Bank's objective of having a net positive impact on biodiversity by 2030.
- In April 2020, our employees gave higher scores for nearly all questions in our genuine attention

survey than they did the previous year. We held on to these scores in October. Employees experience great trust and the freedom to make a meaningful contribution, which is essential in a situation where most of them work fully from home.

- We were the only bank to obtain a green score and therefore a satisfactory score in a survey of gender equality conducted by the Fair Bank Guide.

The Dutch economy experienced an unprecedented slowdown in 2020. The economic contraction and the accommodating monetary policy resulted in further declining interest rates in 2020. House prices rose even more and the mortgage refinancing market in particular showed strong growth.

Against this macroeconomic background, de Volksbank posted an acceptable financial profit. The dropping market rates translated into further pressure on our net interest margins. This pressure was largely alleviated by higher compensation received for early repayments of mortgages, higher treasury results and higher sales results on bonds. On balance, total income remained virtually flat on 2019.

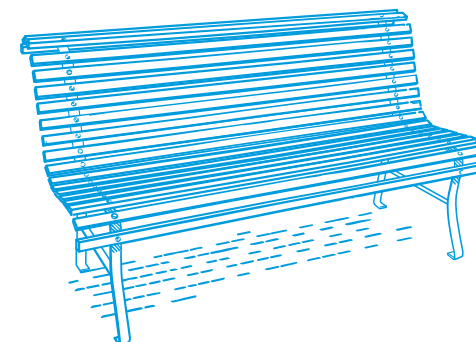
Operating expenses including regulatory levies were up 14%. Six percentage points of the increase were driven by a higher contribution to the Deposit Guarantee Scheme and higher staff and consultancy costs. The other eight percentage points of the increase ensued from a restructuring provision related to the new strategy. The organisation will be structured differently and will transition to a uniform and agile way of working with independent customer teams. This approach will result in more efficient cooperation and a flatter organisation, which is expected to reduce the number of jobs by 400-500 in the period 2021-2023. A provision totalling € 45 million has been formed for this purpose. In parallel with this process, new employees having the knowledge and skills needed for the strategy will be hired in the next few years. How many jobs this concerns partly depends on the growth rate.

The deterioration of macroeconomic prospects resulting from Covid-19 prompted a considerable addition to the credit loss provision in 2020. In 2020, impairment charges amounted to € 38 million, compared to a reversal of € 7 million in 2019.

On balance, net profit dropped by € 101 million to € 174 million, which corresponds to a return on equity of 5.1%. Adjusted for the restructuring provision, net profit totalled € 208 million and the return on equity was 6.1%. This means that we did not reach our target of 8%.

Our capital position remained consistently strong: the CET1 capital ratio stood at 31.2% and the leverage ratio showed a limited increase to 5.2%. This means that de Volksbank's starting position is very strong, even considering the substantial challenges that lie ahead.

Our capital position remained consistently strong with the CET1 capital ratio at 31.2% and the leverage ratio at 5.2%



2020

in a nutshell

Here, we present which moments, decisions and events characterised the special year 2020 for us as a bank and our stakeholders.

6



- At the initiative of the Dutch Sustainable Growth Coalition, we communicate that we want sustainability to take priority in recovery plans
- ASN Bank finances Europe's biggest floating solar park

JUNE

7



- With TMNL, Dutch banks unite in combating money laundering and terrorist financing
- We are the first bank in Europe to successfully issue subordinated green Tier 2 bonds
- We sign the UN-Standards of Conduct for Tackling Discrimination against LGBTI people

JULY

8



- Martijn Gribnau becomes the new CEO and succeeds Maurice Oostendorp
- CFO Pieter Veuger departs

AUGUST

9



- Research of the Dutch Consumers' Association and KPMG shows that our brands score high on customer satisfaction and customer experience
- We join the Nasdaq Sustainable Bond Network
- We sign the Finance for Biodiversity Pledge

SEPTEMBER

10



We obtained the highest average score in the policy survey conducted by the Fair Bank Guide

OCTOBER

11



- SNS and RegioBank ATMs close in the fight against ATM explosive attacks
- Our brands decide to charge retail customers negative interest rates for balances above € 250,000 with effect from March 2021
- COO Mirjam Verhoeven departs

NOVEMBER

12



- We join Partnership Biodiversity Accounting Financials, initiated by ASN Bank, to measure our biodiversity impact
- The Supervisory Board approves the strategic plan for 2021 – 2025
- Our brands have now helped 342 entrepreneurs with an arrangement as a result of Covid-19. In addition, 1,591 retail customers have been granted a payment holiday

DECEMBER

JANUARY



- The Banking Confidence Monitor shows an increased satisfaction among our brands' customers year after year
- BLG Wonen's mortgage portfolio grows to € 20 billion

FEBRUARY



RegioBank celebrates its 100 years

MARCH



As a result of Covid-19, we adapt our customer service: service locations are open by appointment and we make use of video calling for personal contact. Many employees also made a switch to almost exclusively working from home

APRIL



- At the request of the ECB, we decided to postpone the 2019 dividend payment
- The increase in fraud and cybercrime as a result of Covid-19 becomes clearly noticeable

MAY



SNS customers rate the video calls with an average of 9.1

Company profile

De Volksbank aims to meet the specific financial needs of its customers in a people-oriented, efficient and sustainable manner. Our mission is 'banking with a human touch'. We invest in Dutch society together with our four bank brands. Each brand contributes to our joint promise of being 'better for each other' based on its own distinctive and social profile.

de volksbank



Financial resilience

SNS is for anyone looking to manage their financial affairs with an accessible, straightforward and humane bank. SNS likes to keep things simple and smart. Personal advice and direct contact increase customers' financial confidence.



Sustainability

ASN Bank invests customers' money in a way that respects human rights, the climate and biodiversity. That is how customers contribute to sustainable progress and a liveable world, now and in the future.

RegioBank

Quality of life in the neighbourhood

RegioBank makes sure that consumers and business owners are able to manage their financial affairs. The bank is also committed to improving the quality of life in neighbourhoods by promoting local cohesion.



Good housing

BLG Wonen seeks to create a housing market that is accessible to all and just for all. Owning your own home gives people a feeling of security and happiness.

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



205

SNS shops

1,620,000

customers



786,000

customers



RegioBank

483

branch offices

698,000

customers



>3,000

independent
advisers

238,000

customers



Legend



Mortgages



Savings



Payments



Investments



MORTGAGES

€47.8bn

market share 6.2%



SAVINGS

€42.1bn

market share 10.8%



CURRENT ACCOUNT CUSTOMERS

1.66m

market share of
new current accounts 19%



3,819

EMPLOYEES

of whom

3,171

internal

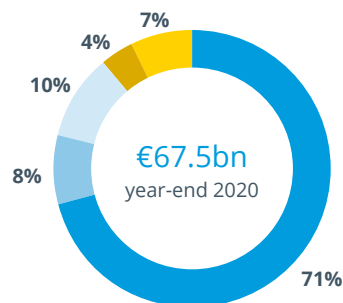


>3.34m

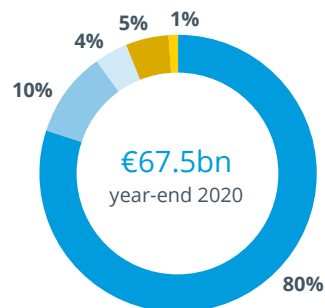
CUSTOMERS

Business model

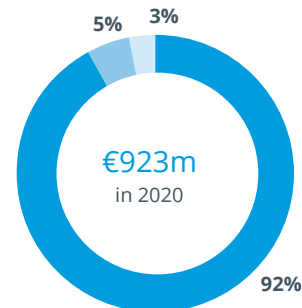
Total assets



Total liabilities



Total income



Adjusted net
result¹

€208m

in 2020

Shareholders' equity

€3,450m

year-end 2020

Adjusted Return
on Equity¹

6.1%

1. Adjusted for incidental items.

1 Our loan portfolio is our main source of income. It largely consists of mortgages we have provided to retail customers.

2 We fund our loan portfolio using retail savings and balances in current accounts that our customers hold with us and, to a lesser extent, using bonds and equity.

3 Net interest income (interest income on our loan portfolio after deduction of financing costs and costs of derivatives) represents approx. 92% of our total income.

4 Net profit is the balance remaining after deduction of the costs we incurred, including for our offices, IT and loan portfolio management.

5 A major part of our business model is achieving healthy returns on the equity that the shareholder has made available to us.

*De Volksbank is a solid and stable bank
with a strong capital position*

Key figures

PROFIT AND LOSS ACCOUNT

In € millions	2020	2019
Net interest income	850	875
Total income	923	929
Total operating expenses	690	574
Impairment charges	38	-7
Result before taxation	233	362
Taxation	59	87
Net result	174	275
Total incidental items	-34	0
Adjusted net result¹	208	275
Ratios		
Cost/income ratio ¹	60.3%	57.3%
Net interest margin	1.30%	1.37%
Cost of risk – retail mortgage loans	0.06%	0.00%
Adjusted Return on Equity ¹	6.1%	7.7%

BALANCE SHEET

In € millions	2020	2019
Balance sheet total	67,484	62,841
Loans and advances to customers	50,542	50,461
- of which retail mortgages	47,697	48,090
Amounts due to customers	53,652	49,045
- of which savings	42,111	38,404
Debt instruments	6,119	6,906
Equity	3,450	3,435

CAPITAL AND FUNDING

In € millions	2020	2019
CET1 capital	3,223	3,156
Risk-weighted assets (RWA)	10,331	9,680
Ratios		
CET1 ratio	31.2%	32.6%
Total capital ratio	36.1%	37.8%
Leverage ratio	5.2%	5.1%
Loan-to-deposit ratio	92%	102%

SHARED VALUE KPI

	2020	2019
Customers		
Customer-weighted average NPS	+2	0
Current account customers (in 1,000)	1,657	1,568
Society		
Climate-neutral balance sheet	59%	44%
Financial Confidence Barometer	51	48
Employees		
Genuine attention	7.9	7.7
Commitment	8.4	8.0
Engagement	7.6	7.4
Shareholder		
Adjusted Return on Equity ¹	6.1%	7.7%
Dividend payout ratio ¹	50%	60%

ESG RATINGS AND BENCHMARKS

	2020	2019
ESG ratings		
Sustainalytics ESG rating	89/100	88/100
Sustainalytics Risk rating	10.4/100	12.5/100
ISS ESG	B (prime)	B (prime)
MSCI	AA	A
Imug	n.y.a. ²	BB
Benchmarks		
Transparency Benchmark	n.y.a. ²	121 ³
Climate Disclosure Project (CDP)	C	n.a. ⁶
Fair Bank Guide ⁴	9.3	8.5
Banking Confidence Monitor ⁵		
- trust & perception	3.74	3.64
- service & use	4.32	4.23

CREDIT RATINGS YEAR-END 2020

	Long-term rating	Short-term rating	Outlook
S&P	A-	A2	Stable
Moody's ⁷	A3	P-2	Stable
Fitch	A-	F1	Stable

1. Adjusted for incidental items

2. Not yet available

3. Based on Annual Report 2018

4. Average score of policy update

5. Unweighted average score for SNS, ASN Bank and RegioBank.

See ESG Report 2020 for the full scores

6. No score in 2019

7. On 15 January 2021, Moody's upgraded de Volksbank's long term rating from A3 to A2 and the short-term rating from P-2 to P-1, with a stable outlook



Read the interview with Customer Integrity Specialist
Marissa van Straten-Swijnenberg on page 14

1. The world around us



COVID-19

In this chapter 'The world around us', we describe the main 'external' developments that greatly impacted us the past year. The year 2020 was exceptional and mostly dominated by the Covid-19 crisis for virtually everyone. The pandemic had far-reaching consequences for society, for the economic environment in which we operate, for our customers, and for our employees.

Covid-19 has brought customers great uncertainty, both financially and otherwise, and required them to make adjustments. We saw private individuals and companies experience payment problems, but we also witnessed a tremendous increase in savings deposits. At the same time, customers are increasingly confronted with (the threat of) cybercrime.

As a bank, we made every effort to assist as many people and companies as possible and to come up with suggestions. We offered both retail customers and SME customers payment holidays and other schemes and kept our shops open for customers, although we had to make some adjustments and worked by appointment only. We also actively informed our customers about money matters in these unusual times and advised them as much as possible about how to prevent being defrauded online.

To the vast majority of our employees, Covid-19 entailed a particularly rapid switch to fully working from home. Luckily, a trend towards more and more remote working had already started, but the abrupt switch was still a sweeping change.

Covid-19 will be mentioned frequently throughout this annual review. In this chapter, for example, we describe five external developments, all of which were severely affected by the Covid-19 crisis.

De Volksbank operates in a complex and rapidly changing world. Not only global developments like climate change and globalisation impact our bank, but also national, regional and even local developments and events. That is why it is important that we identify, monitor and respond to these – mostly external – conditions. Five developments affected us in 2020. It goes without saying that Covid-19 greatly influenced all these developments.

1. Developments in the market and the economy

In 2020, the Dutch economy was hit extremely hard by the Covid-19 pandemic and the measures intended to control the spread of the virus. The GDP contraction totalled 3.8% for 2020 as a whole, which means that, on balance, the Netherlands compares favourably with most of the other European countries. Obviously, the latter does not alter the fact that countless companies were in dire straits as customers stayed away or they were forced to close down. The pace of economic recovery largely depends on the further development of the pandemic, therefore causing great uncertainty. Political factors such as Brexit and the US-China trade conflict may impede rapid recovery. Seeking to avoid permanent damage caused by unnecessary

bankruptcies or job losses, the government introduced numerous support measures that proved effective. As a percentage of the labour force the unemployment rate rose to an annual average of 3.8%, which meant that the increase compared with the previous year was limited to 0.4 percentage points. The number of bankruptcies even dropped to the lowest level in twenty years.

Government deficits rose as many government authorities provided financial support to companies and business owners. Further relaxation of monetary policy also resulted in market interest rates dropping globally from the 2019 levels, which were already extremely low. In 2020, the housing market developments remained insensitive to problems elsewhere in the economy. Partly because

of the persistently low mortgage rates, interest in home purchases remained high. Despite the limited number of homes for sale, the number of transactions rose by 7.7% to 235,511, falling just below the record year 2017. The rate of the price increase did not slow down in any way and even accelerated during the year. The average annual increase amounted to 7.8%, exceeding even the equally substantial rise in the previous year. Despite the historically low savings rates, the Dutch retail savings market grew to € 390 billion at year-end 2020, from € 368 billion at year-end 2019.

2. The acceleration of digitisation

In 2020, we saw further growth in data, computing power, data storage, connectivity and sensors converting observations into digital data. All these

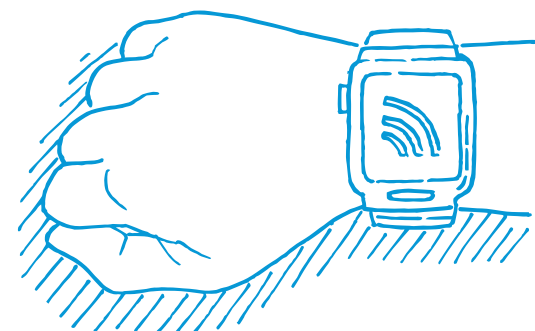
developments combined create 'smart' computer models that can be applied in practice, while they were just theories in the past. Consumers increasingly use online applications on an increasing number of occasions. The Covid-19 outbreak tremendously accelerated this trend. McKinsey has calculated that the rise of digitisation in 2020 would have lasted for approximately ten years under normal circumstances. As people and companies were forced to avoid physical contact, both business and private contact moved to the digital domain. Given the duration of the pandemic, people are not likely to revert to their pre-pandemic behaviour in full.

In 2020, companies saw a definitive turning point in digital transformation from being a strategic advantage to being a necessary precondition for survival. After all, since customers are increasingly active in

the digital world, that is also where you want to be as a company. The far-reaching digitisation also means that de Volksbank faces new challenges, especially in processes where physical identification is still needed. Our Innovation department, for instance, is exploring options for the remote identification of people using biometrics and facial recognition.

The digital acceleration also highlighted a number of risks, such as privacy issues, cyber security issues, fake news and manipulation through social media. Another risk is associated with ethical issues concerning artificial intelligence, which is still premature and experiences many teething troubles in terms of bias and abuse. As a result, we saw a rise in the various types of digital fraud and fraud attempts in 2020. In the context of secure banking, de Volksbank conducted the 'Recognise the Fraud' campaign.

**Consumers are increasingly
using online applications. The
Covid-19 outbreak has greatly
accelerated this trend**



Marissa van
Straten-Swijnenberg
Customer Integrity
Specialist de Volksbank

'I don't miss the office'

Until the Covid-19 crisis, most of de Volksbank's employees already worked from home for at least one day a week. But what is it like if you cannot go to the office at all? Marissa van Straten-Swijnenberg (37) is a Customer Integrity Specialist and lives in Waalwijk with her husband and Dobermann Myla.

"I don't miss the office, to be honest. I do miss the conversations with my colleagues at the desks and the coffee machine. Since the start of Covid-19, I have only spoken with some of my immediate colleagues on a regular basis. My circle of colleagues has become much smaller since I started working from home. We discuss work and ask each other how we're doing. Working from home was difficult for some people in the beginning. Some colleagues had never worked from home. They had to organise a place to work, find a new rhythm and get accustomed to working remotely.

I'm lucky to have my own office, with two monitors, a comfortable chair and a desk adjusted to my height. I don't have to spend two hours on the train, either.

At the same time, I feel that I have less time for myself. I tend to start earlier and stop working later. That laptop is there anyway. A 'how to handle work pressure' webinar, tips and tricks on the intranet and especially my manager have helped me to take more moments of me-time and get some rest.

Fortunately, I have a dog that needs to be walked a few times a day. Those walks are really my moments of rest. I also try to exercise, because I eat more at home than I do at the office. I do cross boxing and also enjoy jogging with Myla. I'm glad that remote working allows us to continue working. This way, I can keep it up for a while."

De Volksbank has been committed to the New Way of Working since 2009: Employees work from home for at least one day a week with their work laptop and work telephone. All employees also receive a working from home allowance to organise an ergonomic workplace based on individual health and safety advice (€ 600, once every five years).

3. Bank industry requirements are changing

Dutch and European supervisory authorities and legislators impose more and more laws and regulations on banks, on topics ranging from capital and liquidity supervision (prudential supervision) to consumer protection and sustainability. Openness about tax policy also remains a much discussed theme.

In 2020, the elaboration of laws and regulations governing prudential supervision was clearly dominated by Covid-19. Supervisory authorities critically looked at the maximum lending capacity on the one hand and the absorption of losses resulting from the crisis on the other. At the same time, they wanted to give banks more time to prepare for the implementation of changes to laws and regulations after the crisis.

In addition, the European Commission presented various parts of the European Green Deal ([see link](#)). This is a roadmap to make the EU economy sustainable and climate neutral by 2050. Sustainable finance is an essential part of achieving these policy goals. We closely monitor relevant initiatives and changing laws and regulations. In 2020, for example, we mapped out how changing laws and regulations in the field of sustainable finance will affect various organisational units. Based on this, action points have been defined. In concrete terms, this means further anchoring sustainability throughout the organisation, integrating sustainability into regular processes (such as risk management) and making

the contribution of de Volksbank tangible through reporting. The Sustainable Finance Disclosure Regulation (SFDR) entered into force on 10 March 2021. We have amended the prospectuses of the ASN Investment Funds and have classified all ASN Investment Funds as 'dark green' products within the meaning of the SFDR on account of their specific sustainable investment objective.

The EU has also developed a classification system of economic activities that contribute to and do not harm the environment. Banks are expected to show in 2022 which part of their portfolio or loans is in line with this classification. De Volksbank will gladly comply with that.

4. Acceleration of the New Way of Working

Since de Volksbank introduced the New Way of Working as early as 2009, most of our employees (85%) already worked from home for two days a week on average. This has definitely helped us in the abrupt switch to fully working from home, which was necessary because of the Covid-19 measures taken in March 2020. And yet the new situation has strongly changed the way we work. People do not want to only work remotely and that should certainly not become a goal in itself. In fact, employees are more aware than ever of which type of work activity they can do in which environment in the most enjoyable and productive way, both online and offline.



We want to further anchor sustainability throughout the organization. We make our contribution tangible through reporting

Hybrid working is expected to become the standard for many organisations if their activities permit this. This means that employees will alternate working at home, at the office or at another location. The number of options for digital cooperation is still on the rise, which will also change the function and layout of offices. The same goes for our bank: even more so than before, an office will become a place where colleagues meet, a place aimed at collaboration and creative processes.

Our own survey has revealed that virtually all employees successfully work from home and cooperate online. However, a large majority indicated that they missed personal contact with colleagues. In order to properly facilitate remote work, in April 2020 de Volksbank temporarily expanded the existing remote work schemes to

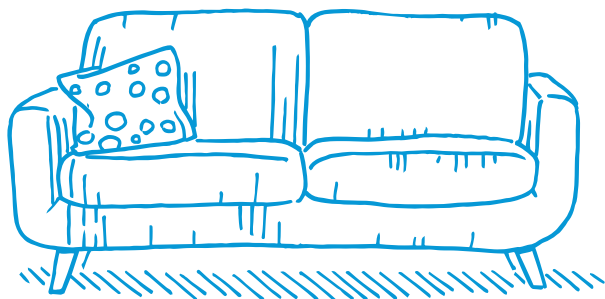
make them accessible to colleagues who did not normally work from home. We also regularly shared tips and tools to retain our vitality, keep in touch and create a sound work-life balance.

5. Focus on sustainable recovery from the Covid-19 crisis

Deforestation and loss of biodiversity globally continued at an alarming rate in 2020. Unfortunately, this also held true for global warming. We saw a number of serious events related to this, such as the large wildfires in Australia and the United States. Moreover, Covid-19 obviously marked the year with its large-scale consequences for everyday life, but it also gave us the opportunity to make society better, more inclusive and more sustainable. This meant that the pressure to shape the recovery in a sustainable

way increased at the end of 2020. For instance, the three planning agencies (The Netherlands Institute for Social Research (SCP), the CPB Netherlands Bureau for Economic Policy Analysis, and the PBL Netherlands Environmental Assessment Agency) and the National Institute for Public Health and the Environment (RIVM), made an appeal to transition from crisis policy to a sustainable recovery policy ([PBL](#)). Politicians did not turn a blind eye to this appeal and the European Union even raised its climate target for 2030 to a 55% reduction in CO₂ emissions.

Despite the sad context, de Volksbank is glad with the attention for a sustainable recovery from the Covid-19 crisis. In 2020, we were one of the Dutch companies to express support for putting sustainability first in the Covid-19 recovery plans.



In 2020, we expanded the existing arrangements to make working from home accessible to all colleagues

▶ Read the interview with Jai Tjin-A-Ton of the Jonge Klimaatbeweging on page 26



2. Banking with a human touch

This chapter explains how we bank with a human touch by creating value for customers, society, employees and shareholder. We aim for optimum total value rather than maximisation of a single value.

2.1 Our mission and ambition

De Volksbank has always been at the heart of society. Our history dates back to 1817, the year in which a number of regional savings banks merged with the aim of taking good care of the money that the Dutch people entrusted to them and promote financial resilience. It was to be a bank with a local character that operated close to its customers. This social origin defined our unique profile and is still de Volksbank's strength today.

OUR MISSION

Banking with a human touch

Our mission is to bank with a human touch. We do this by creating value for all our stakeholders. We aim for optimum total value rather than maximisation of a single value. It goes without saying that banking with a human touch also takes centre stage in this annual review. For each aspect we will explain how our activities contribute to putting our mission into practice.

OUR AMBITION

Optimising shared value

Based on our mission, it is our ambition to create shared value that optimally benefits all our stakeholders. We divide our stakeholders into four groups that represent the main stakeholder interests. In 2016, we formulated our objectives for each of these four groups for the period 2016-2020.

We measure the achievement of our shared value ambition by the headway we make on those stakeholder objectives. The objectives have been specified for each group and are monitored as such. If we are to achieve our objectives, we need a strategy that considers the wishes and interests of all our stakeholders. We will discuss the strategy next, followed by the actual objectives and the corresponding key performance indicators (KPIs).



In 2016, we formulated our objectives for the period 2016-2020. On 12 February 2021, we announced our new strategy for the period 2021-2025

2.2 Our strategy

De Volksbank targets the Dutch retail market with three core services: we finance mortgages, manage savings and offer current accounts. Additionally, we also offer investment and insurance products. We have four distinctive brands. Although each of them has its own specific focus, all four of them work on the basis of our common mission and ambition. We steer everything in the right direction with a single back office, a strong IT organisation and a central staff organisation.

Our strategy (2016-2020) is underpinned by three strategic pillars that helps us reach our goals.

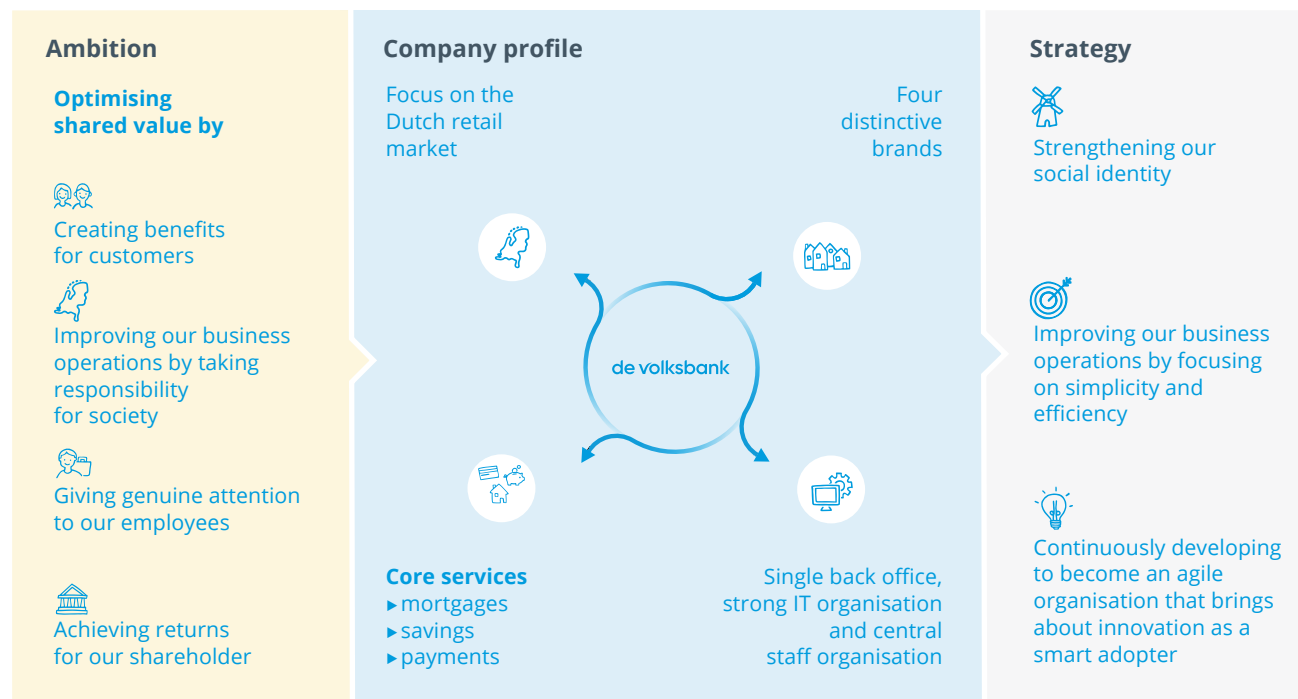
• Strengthening our social identity

De Volksbank continues to strengthen its social identity. We want to make a positive contribution to society on four themes: financial resilience, sustainability, liveability in the region and good living for all.

• Simplicity and efficiency

We continue to simplify our business operations. Simple and digitised processes and products make the provision of services to customers easier, more efficient and more transparent. Efficient business operations also ensure a low cost level and a future-proof organisation.

OUR MISSION: BANKING WITH A HUMAN TOUCH











• Smart adopter

In order to keep up with technological developments, we invest in an agile organisation that brings about innovation as a smart adopter. We closely monitor innovations around the bank's core functions, allowing us to serve our customers better and faster in a way that meets their expectations and needs.

2.3 Our objectives

From our ambition to create optimum value for all our stakeholder groups, we formulated objectives per stakeholder group in 2016 for the period 2016-2020. In order to be able to make timely adjustments, the management monitored and evaluated the progress continuously. In addition to the objectives per stakeholder group, we also have objectives to meet the conditions of a healthy and solid bank. Our eight most material topics as well as our main Sustainable Development Goals (SDGs), are linked to our shared value strategy.

	Targets for 2020 <small>KPI</small>	Achievements at the end of 2020 <small>KPI</small>	Explanation	Material Topic (more information in this chapter)	Sustainable Development Goals (more information in this chapter)
The customer 	Customer-weighted average Net Promoter Score (customer satisfaction) +10	+2	Offering simple products tailored to customer needs. Information about products and services needs to be accessible and clear.	MT1 Simple and transparent products MT5 Privacy and safety	
	Current account customers > 1.5 million	1.66 million			
Society 	Climate-neutral balance sheet 45%	59%	Making a positive contribution to the climate. One way we do this is by reducing the CO ₂ emissions of our mortgage portfolio by helping homeowners make their homes more sustainable.	MT3 Climate-neutral balance sheet MT2 Socially responsible investing	
	Financial Confidence Barometer >50	51	Increasing our customers' financial resilience by helping them improve their financial health, increase their finan- cial skills and reduce their financial concerns.	MT4 Financial resilience	
The employee 	Genuine attention ≥7.5	7.9	Enabling our employees to achieve our mission and strategy by giving genuine attention to professionalism, autonomy and personal growth.	MT6 Genuine attention for employees MT8 Diversity and inclusivity	
	Commitment 8.0	8.4			
	Engagement 8.0	7.6			
The shareholder 	Return on Equity ¹ 8.0%	6.1%	We aim to be a financially sound bank with solid returns and a strong capital position.	MT7 Responsible financial and risk management	
	Dividend payout ratio ¹ 40-60%	50%²			
Other targets	CET1 capital ratio ≥19%	31.2%	We have also set targets for ourselves in terms of capitali- sation and efficient business operations, in which respect we have opted for a moderate risk profile with low-risk activities.	MT7 Responsible financial and risk management	
	Leverage ratio ≥ 4.75%	5.2%			
	Cost/income ratio ¹ 50-52%	60.3%			

1.Adjusted for incidental items.

2.Proposed 2020 dividend. The proposed dividend will be distributed when the ECB recommendation on dividend payments permits.

2.4 How we create value

Being a financial institution, we play a major role in the Dutch economy and are at the heart of the commercial and value chain. For example, we help households to store their money and build up capital. We also help companies and households with deficits by providing funding, such as a mortgage loan. We facilitate (online) payment transactions and manage sustainable funds for customers to invest in. These roles create value for our stakeholders and for society as a whole. Our main customers in this process are private individuals and SME customers in the Netherlands. Our partners in the chain also operate mostly in the Netherlands.

Moreover, being a social bank we aim specifically for a sustainable and fair society. Our shared value ambition drives us to create benefits for customers, give genuine attention to our employees, take responsibility for society and achieve returns for the shareholder. We realise that we can only do this if we remain a sound and solid bank.

Value creation model

The value creation model is a visual representation of how we create or nullify value for our stakeholders (drafted on the basis of the Integrated Reporting Framework concept).

Resources (inputs) may increase or decrease due to external developments, but certainly also by the influence that we ourselves exert. If we do not use the inputs with due care, we run the risk of destroying value. To prevent this, we attempt to adapt our activities on an ongoing basis. We use our KPIs to monitor the impact we have on these inputs. We also analyse our surroundings, speak with our stakeholders and cooperate to the greatest extent possible with our main partners, such as the Dutch Banking Association and other civil society organisations and initiatives (including PCAF, PBAF and PLWF. [See ESG Report 2020](#) for more information). We also survey topics that are of great value to our stakeholders, for example by means of the materiality survey ([see 2.6](#)) and our customer surveys ([see 3.1](#)).

Examples of value creation

An example of an **input** that we rely on is 'social capital', i.e. our relationship with customers and our reputation. Our **activities** result in certain **outputs**, such as the number of customers. The **outcome** for the customer is measured using our KPI Net Promoter Score (the customer satisfaction score). If a customer is satisfied, this strengthens our relationship with this customer and improves our reputation in the longer term. We subsequently use this improved relationship and reputation as input to tailor our activities to the expectations of the customer, thereby completing the circle. We influence the 'natural capital' input by, for example, making efforts towards achieving a climate-neutral balance sheet. In the long run, we aim to have a net positive impact on the natural environment. In terms of 'human capital', we can say that our employees feel mostly engaged and committed. This strengthens the knowledge and expertise available within de Volksbank in the long run.

The inputs, outputs and outcomes presented are not exhaustive. Every year, we attempt to obtain a better picture of these aspects.

**If we do not use the inputs
with due care, we run the risk of
destroying value.**

Examples of inputs

This is what we need and
what we can impact.



Social capital

Our relationships (with
customers and others) and
reputation



Natural capital

Our natural and social
environment



**Human and
intellectual capital**
Our vision, employees
and expertise



Financial capital

The financial resources
entrusted to us

Our activities

These are our mission, ambition, business profile and business model.

Mission Banking with a human touch

Ambition Optimising shared value ambitions for
our stakeholders

Promise *Better for each other*

Business profile

Focus on
Dutch retail
market

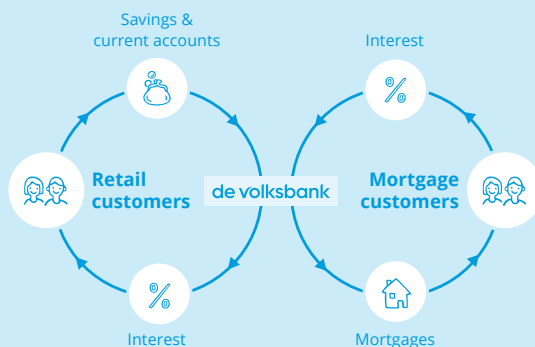
Four distinctive
brands

Core services

- mortgages
- savings
- payments

Single back office,
strong IT organisation
and staff organisation

Business model



Examples of outputs

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

Outcomes for stakeholders

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

Customers

1.66m
current account customers

KPI

€5.9bn
production new mortgages

+2
Customer weighted average
Net Promoter Score
(customer satisfaction)

KPI

Society

573kt
CO₂ profit

1,290kt
CO₂ loss

59%
climate-neutral
balance sheet

KPI

152,624
pupils reached with Eurowijs

51
Financial Confidence Barometer

KPI

Employees

7.9
genuine attention

KPI

8.4
commitment

KPI

7.6
engagement

KPI

Shareholder

€208m
adjusted net
profit

€3,450m
shareholders'
equity

6.1%
adjusted Return on Equity

KPI

€923m
total income

€690m
total expenses

50%¹
dividend payout ratio

KPI

Long-term contribution

We make the greatest
contribution towards
these SDGs



Example of the value creation process
High customer satisfaction (NPS) results in
a stronger customer relationship.

1. Proposed 2020 dividend. The proposed
dividend will be distributed when the
ECB recommendation on dividend payments
permits.



We monitor the outcomes
for our stakeholders with
our KPIs. These outputs
have a certain impact on
the inputs we use.

Our long-term contribution to the Sustainable Development Goals

In 2015, the United Nations drafted seventeen social and sustainable goals for the year 2030, which guide our policy as a social bank. As a result, our sustainability policy affects all seventeen SDGs to a greater or lesser extent. Our value creation strategy, objectives and KPIs are linked to five SDGs in particular, to which we can make a long-term contribution. See 2.3 in this report and the [ESG Report](#) for more information.

2.5 Material topics

Once every two years, we conduct a materiality survey to identify the topics that are the most material to our stakeholders. In the survey, we explore what they consider to be the right long-term goals for de Volksbank. These conversations focused on de Volksbank's contribution to the SDGs, for instance. In this context, our stakeholders break down into four groups: the customer, society, the employee and the shareholder. As the material topics are specific issues that greatly impact our stakeholders and/or de Volksbank, they are key to achieving our shared value ambition and are

Our positive contribution

- We contribute to a healthy economy, including by facilitating payment transactions, transforming financial risks and maturities for market parties and private individuals, and providing financial services. We do so in a socially responsible way by offering responsible financial products and services, developing social initiatives and entering into partnerships. We endeavour to make customers financially resilient and to offer financial education to people of all ages.
- By giving genuine attention to professionalism, autonomy and personal growth of employees, they are able to develop themselves and make a meaningful contribution to our mission. We aim for equal opportunities and equal pay for all our employees.

- Our objective of having a climate-neutral balance sheet by 2030 means that we are working to increase the sustainability of our mortgage portfolio, thereby contributing to climate-resilient homes and communities. In this context, we have offered the ASN Mortgage since 2019 to encourage customers to invest in energy-saving measures.
- By means of RegioBank, we aim to enhance the quality of life in neighbourhoods. We do so through local bank branches and by encouraging entrepreneurship in small municipalities.

- We aim to have a climate-neutral balance sheet by 2030.
- We regularly inform our customers of the options they have of making their homes more sustainable.
- In 2020, we issued our second green bond to finance new and existing loans that contribute to our climate-neutral balance sheet because of their reduced or avoided emissions.
- We exclude polluting industries based on our stringent investment policy.

- In 2020, ASN Bank was one of the initiators of the Partnership for Biodiversity Accounting Financials (PBAF), with de Volksbank being the first major bank to join this initiative. This is how we intend to clarify our biodiversity impact in a standardised way.
- ASN Bank and de Volksbank signed the Finance for Biodiversity Pledge in 2020 to stress our commitment to preventing biodiversity loss.
- Our goal is for all our loans and investments to have a net positive effect on biodiversity by 2030.

- De Volksbank and the four brands regularly enter into social collaborative ventures and partnerships, such as with PCAF, PLWF & PBAF.
- We have signed the Principles for Responsible Banking (PRB) and the national Climate Commitment.

SDG



Our negative contribution

- Careless actions, such as loss of data and/or privacy breaches, could mean that we diminish the trust that customers and society have in us.
- We currently do not yet meet our own diversity objectives.

- Despite the increase in the overall climate neutrality of our balance sheet, net CO₂ emissions of the mortgage portfolio are still rising (1,182 kilotons in 2019, 1,202 kilotons in 2020). 43% of the mortgage portfolio still has an energy label lower than C.

- The overall climate neutrality of our balance sheet rose from 44% to 59%, but the net CO₂ emissions increased by 64 kilotons.

- Some of our investments still (indirectly) contribute to a loss of biodiversity.

- No negative impact in itself, but collaboration may cause delays.

directly linked to our objectives (see 2.3).

In the intermediate year, we validate and evaluate the accuracy of these topics and our process. In 2020, we did so by conducting online surveys among customers, employees and a number of non-customers, and by holding interviews – through video calls – with representatives of our stakeholder groups. The results corroborated the material topics. The 2020 validation analysis revealed a few topics that were not points of focus in previous years, such as the increased attention for biodiversity loss and the transition to a circular economy. The importance of identifying the risks of climate change also emerged as an important topic. More information about the expectations our stakeholders have in relation to these material topics is included in '2.6 Our stakeholders'. More information can be found in the [ESG Report](#).

OVERVIEW MATERIAL TOPICS

Most material topics		Reference	
1. Simple and transparent products	MT1	3.1.2	p. 33
2. Socially responsible investing	MT2	3.2.1	p. 40
3. Climate-neutral balance sheet	MT3	3.2.4	p. 42
4. Financial resilience	MT4	3.2.5	p. 45
5. Privacy and safety of customer data	MT5	3.1.3	p. 37
6. Genuine attention for employees	MT6	3.3	p. 48
7. Responsible financial and risk management	MT7	3.8	p. 55
8. Diversity and inclusivity of employees	MT8	3.3	p. 50
Other material topics			
9. Collaboration with stakeholders	MT9	2.6	p. 25
10. Social innovation	MT10	3.1	p. 33
11. Responsible tax policy	MT11	3.2.6	p. 48
12. Responsible remuneration policy	MT12	3.3	p. 52
13. Distribution and coverage	MT13	3.1.4	p. 38

MAJOR DISCUSSION PARTNERS

De Volksbank has an Advisory Council that considers our future plans, dilemmas and issues from a social perspective. Its members originate from various organisations in society, whose critical power and advice help us improve our social position even more. The composition of the Advisory Council remained unchanged in 2020: Gerhard van den Top (Chair), Giuseppe van der Helm, Henriëtte Prast, Jaap Smit, Melek Usta, Peter Verhaar and Fokko Wientjes. The Advisory Council met three times in 2020. The Advisory Council also met our new Chairman of the Board of Directors Martijn Gribnau in a separate meeting, and individual consultations were held with some members of the Council. Topics that the Advisory Council discussed with the Board of Directors included the diversity in the Dutch banking landscape in relation to de Volksbank's future, and our strategy for the next few years. In that respect, options for the bank's future governance were also discussed, as well as the rationale behind the 2020 communication campaign and our promise to the Netherlands: better for each other.

In addition, the Board of Directors holds monthly discussions with the Works Council about the interests of the stakeholder group 'employees'. The Board of Directors also regularly speaks with NLFi about the interests of the shareholder and de Volksbank's long-term strategy.

In 2020, the topics of 'responsible financial and risk management' and 'diversity and inclusiveness' proved to be so relevant that they were added to the most material topics

2.6 Our stakeholders

In this section, we summarise how we engaged with our stakeholders in 2020 and what their overall expectations are. If we are to add value for all of our stakeholders, we ought to know them well and collaborate with them **MT9**. We believe that these four groups allow us to carry out our activities, taking into account as many interests as possible. We obviously are in touch with our stakeholders on many occasions throughout the year and in all sorts of ways: by telephone, by email, by chatting with them, in the shops, in offices and in customer communities. Every single one of these contact moments is a learning opportunity for us.

How we are engaged in a dialogue with:

Expectations of material importance*

The customer



- As we put our customers' interests first, we conduct market surveys and behavioural research throughout the year to make products simple, transparent and useful and to identify and validate important/material topics.
- In addition to carrying out research, we also speak with our customers in our shops, through our customer service desk and through other channels, and we handle all complaints we receive.

- What we offer customers must be beneficial to them and add to their trust in us **MT1**
- Customers expect us to respect their privacy and data safety **MT5**
- Customers expect that they can contact us through the channels they prefer **MT13**

Society



- We regularly collaborate with representatives of the natural environment, such as environmental and nature organisations.
- We also collaborate with parties about people's financial resilience and the banking system, and about combating crime.
- As part of Corporate Responsibility, we also participate in knowledge networks and actively engage in dialogue with our partners, NGOs and society with the aim of sharing our knowledge and ideas and learning from others.
- Our Advisory Council helps us to stay in contact with society and discusses critical matters directly with our Board of Directors.

- Society expects responsible remuneration and tax policies, not bonuses or tax avoidance **MT11** **MT12**
- We seek to make people financially resilient **MT4** and to contribute to a sustainable future in a climate-neutral way **MT3**. We only make socially responsible investments **MT2**
- Society expects an open and cooperative bank **MT9** that aims for social innovation together with its stakeholders **MT10**

The employee



- Employees are in constant dialogue with one another and their managers about their contribution and development.
- We ask for feedback in an employee survey that is conducted twice a year.
- There is regular consultation and cooperation with the Works Council, which promotes employee interests. Given this role, the Works Council is in constant dialogue with employees.
- We guarantee that criticism – even when this is a sensitive issue – can be voiced by giving employees several options for anonymously reporting incidents and for anonymous whistleblowing.

- Employees expect to be given genuine attention and the possibility to develop and to make a meaningful contribution to our mission and strategy **MT6**
- Employees expect an open and people-oriented working environment that is based on trust and appreciation, where they can be themselves and where they feel at home **MT8**
- Employees expect equal (career) opportunities and fair pay, with equal work being rewarded equally **MT8**

The shareholder



- We continuously consult with our shareholder NLF. We discuss matters such as the strategy, our interim performance and the bank's social role. We also regularly discuss the future and our possible privatisation.

- The shareholder expects healthy returns from an efficient company that makes a major contribution to the diversity of the financial landscape **MT7**

* Based on the materiality survey we have conducted among our stakeholders. See 2.5 for more information.

Jai Tjin-A-Ton
Jonge Klimaatbeweging

Stakeholder
interview

Introduction
and contents

1. The world
around us

**2. Banking with
a human touch**

3. Our
results

4. Governance
& leadership

5. Annex

'Say what you do, but also do what you say'

Jonge Klimaatbeweging gives young people a voice in the climate debate. And young people think it is about time that the financial sector shoulders its responsibility to help solve the climate problem. Jai Tjin-A-Ton, Board Member of Projects, tells us about this appeal to banks to act now.

"Banks invest a lot of money. We believe they're still insufficiently doing this on the basis of a well-thought-out long-term vision. What will the Netherlands look like in 2030 and in 2050? What does this mean for companies, villages and cities, for society, for the Netherlands? And how can you contribute to this as a bank? Such a vision requires thorough research and careful analyses.

In many cases banks do mention the climate goals, but often these don't seem to be part of their strategy. And where they are part of the strategy, we would like to see what is being done to achieve those goals. Or, say what you do, but also do what you say. Initiate concrete projects, define key milestones, and choose the right partners to help you pursue your long-term vision.

Apart from money, banks can also invest their knowledge. Encourage staff to share their specialisms outside the bank, with young people and adults. When do I first learn about investing, about buying a home, about saving, about my pension? We believe banks could take a more proactive stance here.

Our Young Climate Agenda gives goals on five themes – housing, work, mobility, nutrition and education. Why would a bank not pick one or more of these to make a difference? Banks could also assume their social role more than they do now. Because if you make money available, you're also in a position to make demands.

For example, decide to only invest in green startups. Select innovative projects that help the Netherlands become more sustainable. Announce them to the outside world and talk about them, so that you can learn from each other and grow. We, as young people, would really like to join that discussion. After all, it's our future we're talking about."

Money can buy happiness for young people

ASN Bank asked Jonge Klimaatbeweging, a climate movement of young people, whether they were prepared to give their view of the future of the financial sector. The bank considers this independent advice when defining its sustainability policy.

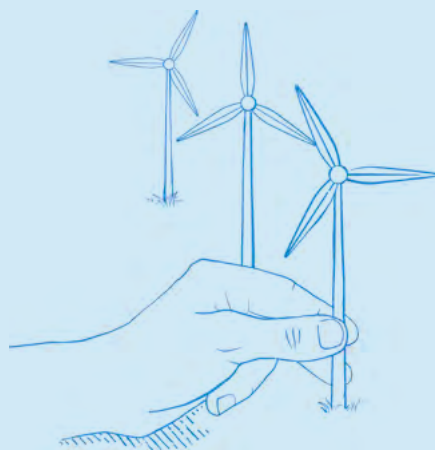
2.7 SWOT analysis

The changes in the world around us introduce both opportunities and threats. At the same time, we have a number of strong points and weaker points that partly decide our future. Partly using the trends and developments (see Chapter 1 for a summary) and an analysis of our current strengths and weaknesses, we have defined a new strategy for the period 2021-2025 to prepare for the future (see '2.8 Strategy 2021-2025'). Most of the threats and weaknesses are explained in more detail in the 2020 Annual Report as 'top risks'. The table on page 28 provides a brief overview of what goes well and what should be improved.

We want to prepare well for the future. Trends, developments and an analysis of our strengths and weaknesses have also determined our strategy for 2021-2025

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

The role of sustainability becomes increasingly important in terms of opportunities and threats. Although contributing to a sustainable society has long been part of our mission and ambition, we are aware that sustainability may also entail risks for us as a bank. We will follow the TCFD recommendations when describing how de Volksbank capitalises on opportunities and controls these risks. We look beyond the climate in this respect, as sustainability also covers such topics as biodiversity and human rights. Consequently, we apply the recommendations to all themes that are part of our sustainability policy. A brief summary is provided below. More information can be found in the chapter Sustainability Risk in the Annual Report.



Governance

De Volksbank's Board of Directors bears ultimate responsibility for risk management, including sustainability risk. In 2020, we studied on which risk type sustainability has the greatest potential impact. Since sustainability can be a driver of risk for other types of risk, this topic is also discussed by other risk committees, such as the Credit Committee. Although our role in society predominantly consists of our role as a bank, we also want to make a large additional contribution to society. We set up the Social Impact Committee in 2020 to supervise this process (see '4.2 Governance overview' for more information). We also have the ASN Investment Committee, which gives advice on sustainable investments.

Strategy

We have set an objective for each of the three themes covered by our sustainability policy (climate, human rights and biodiversity). The objective for the climate theme is: we want to have a climate-neutral balance sheet by 2030. As part of this theme, we committed ourselves to the Dutch Climate Agreement at the end of 2019, together with the financial sector. This means that we publish the climate impact of loans and investments, actively contribute to the energy transition and phrase objectives to improve our climate impact. More information is included in [Chapter 3.2](#).

Risk management

As sustainability developments and events may impact de Volksbank, we must properly identify the risks and control them responsibly within the limits of our risk appetite. We use the 'three lines of defence' model for this purpose. Our policy includes a clear description of the corresponding duties and responsibilities. In this context, we performed a stress test in 2020 with a focus on the climate. The outcome of the test was that de Volksbank's capital position is adequate to absorb losses related to the climate scenarios.

Indicators and goals

Every quarter, we report to the Social Impact Committee on the indicator for the climate-neutral balance sheet. To devote additional attention to increased sustainability in our mortgage portfolio, we also report on the development of the average energy label every quarter. Furthermore, we annually report on the CO₂ emissions of our own business operations.

SWOT ANALYSIS

Positive factors

OPPORTUNITIES

- **Technology as an opportunity:** new technology offers opportunities. Major technological developments include 'open banking', a modular and dynamic IT architecture, biometric authentication, artificial intelligence and robotic advisers. This makes it possible, for instance, to serve entire customer ecosystems in an integrated way, increase efficiency and dramatically strengthen the time to market of innovations
- **Social awareness is in our DNA and is an opportunity:** consumers increasingly make choices from a broader social perspective. This is also visible in the financial sector, as sustainable investing becomes ever more popular. De Volksbank sees major opportunities in the contribution that banks can make towards solving complex social issues. In this respect, de Volksbank focuses on the themes of sustainability, good housing, financial resilience and quality of life

External

Negative factors¹

THREATS

- **Low for long:** the low, flat yield curve is likely to remain unchanged in the years ahead. The flat yield curve translated into a declining net interest margin on mortgages in the Netherlands and a strong shift towards long maturities. Pension funds and insurers have a competitive edge in this regard
- **Digital revolution:** technology results in banks experiencing fiercer competition from new types of players, such as FinTechs and BigTechs, which have a significantly greater capacity to change and innovate than existing players in the financial sector. Moreover, these players have high standards in terms of digital customer service
- **Shrinking profit pools:** the traditionally main profit pool of retail banks – mortgages – is shrinking in a context where private current accounts generally result in losses for retail banks and where savings rates do not change in lockstep with market rates as banks are reluctant to introduce negative savings rates
- **Covid-19 crisis:** the Covid-19 crisis has significantly slowed economic activity. It is expected that the economy will contract and that unemployment rates will rise

CURRENT STRENGTHS

- **Strong brands with a high NPS and customer relationship score:** de Volksbank generally has a higher NPS and a stronger customer relationship score than other banks
- **Solid position in the Dutch retail market:** de Volksbank has a substantial market share with its core products payments, savings and mortgages
- **Cost efficient distribution model:** the physical distribution costs per customer are lower than at peers
- **Mission-driven organisation with human leadership and a high score on trust in each other and managers:** this is reflected in our high scores in the employee survey
- **Positive impact on society:** this impact is reflected in both the KPI climate-neutral balance sheet and financial confidence. Our customers recognise this impact
- **Strong capital position:** our solid capital ratio's provide us with a good starting point to bring our new strategy into practise

Internal

CURRENT WEAKNESSES

- **Strong dependence on net interest margin:** this dependence causes dropping income in the low interest rate environment
- **Lagging in primary customers and lower product density:** compared with peers, our brands have fewer primary customers and customers have fewer products on average
- **Lagging in digital services:** de Volksbank currently offers limited options for purchasing products digitally and has a lower score on digital customer experience than its peers
- **Traditional IT infrastructure:** despite a strong IT organisation, the current IT landscape is primarily aimed at offering our own products with limited digital support which is not future-proof
- **Limited execution power and complex management:** de Volksbank is a committed and mission-driven organisation, but efficiency and execution power must be improved

1. A selection of external challenges in the context of the new strategy in relation to the situation in 2020. Please see Chapter 3 of the 2020 Annual Report for all top risks.

2.8 Strategy 2021-2025 'better for each other - from promise to impact'

On 12 February 2021, we announced our new strategy for the period 2021-2025. The new strategy aims for growth through four strong bank brands by strengthening the customer relationship and further increasing social impact. The strategic plan builds on de Volksbank's mission of creating a positive impact for customers, society, employees and shareholders by banking with a human touch. Our shared value ambition remains a major point of departure, in which respect we continuously seek and strike a balance between these stakeholders. By creating this long-term value, de Volksbank distinctively adds to the diversity of the Dutch banking landscape with its social focus, through its powerful brands SNS, ASN Bank, RegioBank and BLG Wonen.

2.8.1 Growth priorities

De Volksbank is unique in targeting different customer segments with its four bank brands, which we serve based on a single, central IT platform. We invest in IT and digital services to bring about an optimum and customised customer experience to further strengthen our customer relationship. At the same time, we are working on further cost control by working more efficiently and through partnerships with third parties.

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

- ASN Bank, as a digital, sustainable bank and a driver of sustainability, will accelerate its growth by offering more sustainable products and propositions, increasing the number of customers and further developing the customer relationship;
- SNS will change by also appealing to young people through personal, digital customer service in addition to advice in the shops and will increase its recurring fee income;

- RegioBank, being the bank nearby, will reinforce its strong local presence by broadening its propositions for instance to SME and by intensifying its collaboration with the independent advisers;
- BLG Wonen further expands its activities through growth in mortgage production by increasing the distribution reach in the intermediary channel and through faster, more transparent services to advisers and customers;
- Using the brands SNS, ASN Bank and RegioBank, we target SME business owners in the Netherlands with excellent services.

2.8.2 Transformation

A movement of change has been initiated to accelerate the achievement of our strategic ambitions. De Volksbank is introducing a single, uniform agile organisational structure and working method in which independent, fully responsible (customer) teams make up the heart of the organisation. This will lead to products and services becoming available to customers at an earlier point



De Volksbank contributes to the diversity of the Dutch banking landscape through the brands SNS, ASN Bank, RegioBank and BLG Wonen

in time and to a stronger customer relationship with both retail customers and SME customers. This agile organisational structure and working method will bring about a more customer-oriented, more efficient and more effective way of working, which is expected to result in a reduction of 400-500 jobs in the period 2021-2023. De Volksbank will assist the employees involved with due care by means of training and retraining programmes and will help them move from one job to another as much as possible. A provision totalling € 45 million has been formed for this purpose. In parallel with this, the fine-tuned strategy will create new jobs in the next few years, for which purpose we will also recruit new employees having the knowledge and skills required for the strategy. How many jobs will be involved partly depends on the growth rate.

Changes in the top management structure

As part of the new strategic plan, de Volksbank will form an Executive Committee to add focus and balance to the management of the changing organisation. This is key to a successful implementation. In addition to the Board of Directors, the Executive Committee will also include the Chief Information Officer (CIO), Chief Transformation Officer (CTO) and Chief Human Resources Officer (CHRO). The recruitment and selection process for these three positions will start in the first half of 2021. The position of Chief Operating Officer (COO) on the Board of Directors will be cancelled as a result. The Board of Directors consists of Martijn Gribnau (CEO and ad interim CFO), Jeroen Dijst (CRO) and Marinka van der Meer (CCO).

2.8.3 Targets for 2025 linked to our shared value ambition

Based on the new strategy and the current expectations of the economic developments and financial markets, objectively measurable targets have been defined for each stakeholder as key performance indicators (KPIs).

Stakeholder	Year-end 2025 targets	
Customers	Raising the customer-weighted Net Promoter Score (NPS) to +13 (2020: +2)	1.3 million active multi-customers ¹ (2020: 949,000)
Society ²	Climate-neutral balance sheet of at least 75% (2020: 59%), rising to 100% climate neutral by 2030	
Employees	Genuine attention for employees scores at least 7.5 (2020: 7.9)	
Shareholder	Return on equity (RoE) of 8% (2020: 5.1%) ³	Dividend distribution of 40-60% of net result

1. An active multi-customer is a customer with a current account and at least one product from another product group, who has made at least 10 customer-initiated transactions on his or her current account for three months in a row.
2. De Volksbank wants to make a positive contribution to society on four themes: sustainability, financial resilience, quality of life in the region and good housing for everyone. KPIs will be defined for all these themes in due course.
3. For the next few years, de Volksbank expects that the return on equity will be less than 8% based on the current outlook. Aiming to implement the strategy, de Volksbank will make substantial investments in the years ahead to allow later growth to a RoE of 8% in 2025.

2.8.4 Other objectives

We have also set objectives for ourselves in terms of optimising our capitalisation, balance sheet, and efficient business operations. These objectives pertain to the continuity of operations in particular, which is essential for all stakeholders. Translated into measurable targets and KPIs, this means that we aim for:

Targets	
CET1 capital ratio	Consistently at least 19% based on full phase-in of Basel IV (2020: 31.2%, with an estimated impact of Basel IV rules of approximately 7 percentage points)
Leverage ratio	Consistently at least 4.5% (2020: 5.2%)
Cost/income ratio	57-59% at year-end 2025 (2020: 70.6%) ¹

1. Cost/income ratio: operating expenses, including statutory levies, divided by total income. We take into account that the cost/income ratio will exceed this range 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 at the level of operating expenses.

▶ Read the interview with Simone Lieffering, entrepreneur and SNS customer, on page 39

3. Our results



This chapter describes how we implemented our mission in 2020 and to what extent we achieved our objectives. For this purpose, we look at the shared value we have created for our stakeholders.

3.1 Benefits for customers

De Volksbank aims to be a bank where people feel at home. A bank that cares about easy-to-understand products, privacy and security, technological innovation and that wholeheartedly supports society. We aim to create benefits for customers.

In order to measure the headway we make here, we defined two specific KPIs, each with its own target. The KPIs are the Net Promoter Score (NPS) and the number of current account customers. The NPS measures customer satisfaction based on the likelihood of customers of de Volksbank's brands recommending their bank to others. The higher the score, the more satisfied and loyal our customers are.

The NPS of SNS improved from -11 to -9 and the NPS of BLG Wonen from -17 to -5. Moreover, ASN Bank (+16) and RegioBank (+14) are among the select

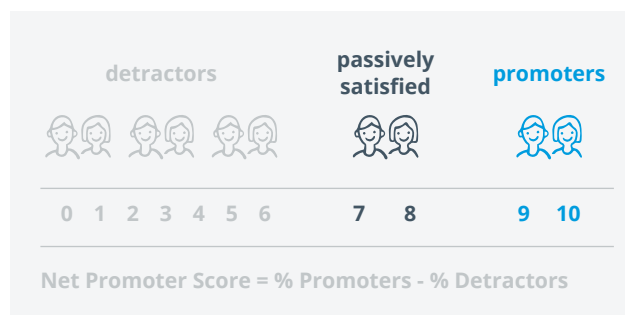
group of Dutch bank brands with a positive NPS. At the end of 2020 the customer-weighted average was +2, as against 0 at the end of 2019. We did not reach the target of +10 at the end of 2020. It was mainly the target for SNS, which represents more than half of our customer base, that proved too ambitious given the average NPS of the financial sector. However, the continued positive trend is encouraging. We did exceed the target for the number of current account customers.

3.1.1 Putting customers' interests first

We put customers' interests first and our customers play a major part in the development and testing of our products and services. We always actively involve customers and consumers in the development of new concepts. We present them with dilemmas and use them to test our communications. Some questions we might ask are: which products or services do customers miss or which ones should we change? Do people really understand what we tell them on our website or in our letters? Are we using the right language? And how user-friendly are our online applications? This is how we continuously measure customer satisfaction and receive customer experiences, opinions and suggestions on a daily basis. We combine them and use them as input for introducing improvements.

In many instances, our employees are present during customer and consumer surveys. The insights we gain from these surveys – which are always anonymous and cannot be traced back to individual customers – are also shared within the bank. This

KPI	Target for 2020	Achieved in 2020	2019
Net Promoter Score	+10	+2	+0
Current account customers	>1.5m	1.66m	1.58m



gives colleagues with and without customer contact an understanding of what drives our customers and consumers in the Netherlands. Partly on the basis of these insights, we believe that the following characteristics are some of the reasons why customers appreciate us:

- We offer simple and transparent products.
- We protect and respect the privacy and safety of our customers and their data.
- Our services are easily accessible and have high availability.

3.1.2 Simple and transparent products MT1

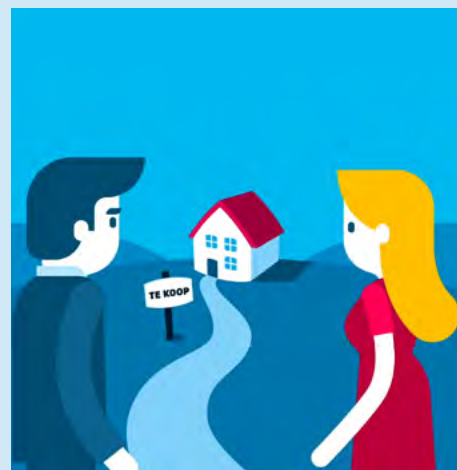
Seeking to help customers become and remain financially resilient, de Volksbank needs to offer simple and transparent products which meet customers' needs. The information provided about products and our services also needs to be accessible and clear to everyone. Our bank brands offer a wide range of products that help customers build up financial buffers, such as savings products for short-term goals, investment products for the medium and long terms, and bank savings products to supplement pensions. We aim to continuously innovate our products and services through our bank brands to ensure that they keep pace with the changing demand from society. Simplicity and transparency is what connects them. This means that we eliminate unnecessarily complicated descriptions and conditions, and that we offer accessible products for every stage of life instead.



A driver of 'good housing'

BLG Wonen has been committed to an accessible housing market ever since its establishment in 1954. At that time it sought to give miners the chance to buy a home; nowadays it focuses on other target groups that may have difficulty buying their own home, such as high-rent tenants, self-employed persons and senior citizens.

BLG Wonen believes that having your own home is a basic condition for happiness and well-being. Since a society in which everyone has access to good housing is important, BLG Wonen aims to promote housing market access and housing satisfaction in the Netherlands. This is a good example of our approach to our material topic "social innovation". MT10



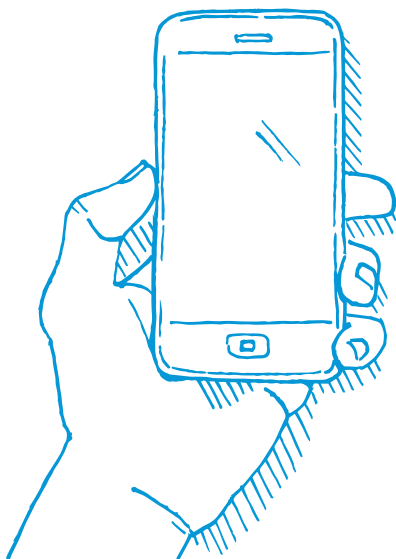
In the years to come BLG Wonen will develop this in more detail by enhancing its knowledge about the changing housing and financing needs through research as well as by actively engaging in dialogue about housing issues. It will also use its expertise to team up with other parties and come up with concrete mortgage solutions for people who cannot afford to buy a home at this time.

An example of a social housing issue is the problem of high rents. A survey has shown that 570,000 high-rent tenants live in the Netherlands. In many instances, these people spend up to almost half of their income on housing. Their income is often just a little too low to buy their own home. They wonder why they are permitted to pay high rents but are unable to buy a home at lower monthly expenses.

Consequently, BLG Wonen aims to make the housing market more accessible to high-rent tenants and placed the issue on the social and political agendas in 2020 by frequently discussing the topic with various stakeholders, including during a housing debate it had organised. A pilot project involving the issue of rent statements, which BLG Wonen had initiated to explore the financing options available in practice, prompted national media coverage and wide recognition of the problem among stakeholders, advisers and high-rent tenants. The pilot project produced a great deal of new knowledge and turned out to mark the start of better services being provided to high-rent tenants in the housing market.

Improved and simplified online environment

An improved online customer environment is needed to simplify our products and services. In 2020, the implementation of a number of new customer-friendly and simple application- and service processes led to more satisfied customers. We greatly improved our online customer environment for mortgages, with input from customers, advisers and employees. Customers can now easily submit refurbishment invoices to us through their mobile phones, for example, and more online applications are made suitable for use on smartphones. Online mortgage rate renewal was also improved in 2020 and customers are increasingly able to manage and change their affairs in their own 'my-environment'. Customers can now directly see the effect of an interim adjustment of their mortgage interest rate, either on their own or with the help of a financial advisor.



We greatly improved our online customer environment for mortgages, with input from customers, advisers and employees. Customers can now easily submit refurbishment invoices to us through their mobile phones

1. Mortgages and housing preferences

In terms of mortgages, we have a clear goal in mind: *together, we satisfy our customers' housing preferences.* Our products and services always contribute to this goal. For instance, BLG Wonen helped to satisfy the housing preferences of high-rent tenants by means of a pilot project involving the issue of rent statements (see text box on BLG Wonen). Additionally, we worked on The Labour Market Scan (Arbeidsmarktscan), a sector-wide initiative, giving flexible workers an understanding of the chances of success of a mortgage application. In addition to a person's current type of labor contract and the remuneration of the flexworker, this scan also includes a person's labour market perspective in the assessment of whether a mortgage is responsible and affordable.

MORTGAGES & COVID-19

Mortgage acceptance

We put customers' interests first when providing new mortgages. Covid-19 led us to modify our mortgage acceptance framework to ensure that we can continue to satisfy customers' housing preferences even in this day and age. The modifications include additional questions for customers and advisers that allow a better assessment of the future affordability of mortgages. This guarantees that our acceptance framework still aligns with our mission of banking with a human touch as we look beyond the standard rules. This principle has also led us to start assessing high bridging loans this year, in which respect we ask customers and advisers to provide additional supporting documents for bridging loans exceeding 90% of the market value of a home.

Payment holiday

In 2020, de Volksbank offered payment holidays to help mortgage customers who were financially affected by the Covid-19 crisis. Similar schemes were set up for our customers with SME loans. Since we started offering these schemes, we have helped 1,591 retail customers with payment holidays. Obviously, we do not charge interest or costs on the resulting arrears, and customers are given a maximum period of five years to repay the agreed delayed mortgage payments. We are happy to see that many customers do not need this entire period to make repayments, more than three quarters are already paying back. The new relaxation of tax rules means that customers with payment holidays remain entitled to mortgage interest tax relief.

Next to this, we satisfy sustainable housing preferences with the ASN Mortgage, allowing customers to include a so-called 'sustainability portion' in their mortgage at a lower interest rate than regular mortgages. Furthermore, an interest rate discount on the mortgage as a whole is granted when customers make their home more sustainable. We do this to encourage customers to invest in energy-saving measures. In 2020, the limit for the sustainability portion of the ASN Mortgage increased from € 15,000 to € 30,000. In 2020 we also conducted a pilot among a number of independent advisors of BLG Wonen to assess whether it is feasible for them to also offer advice on the ASN Hypotheek. This pilot has been successfully completed, which means that the ASN mortgage will have a greater reach from the end of 2020 via independent advisors.

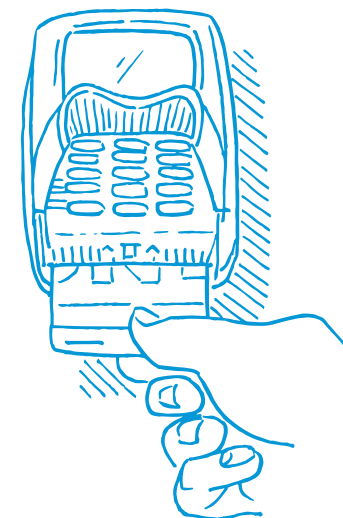
CONTACT ABOUT INTEREST-ONLY MORTGAGES

In 2020, de Volksbank again focused extensively on informing customers with interest-only mortgages. All customers with an interest-only mortgage have been approached in different ways. The approach depends on, among other things, the amount of the interest-only part and how much time there is left for the customer to pay it off. For new customers, the interest-only part is capped at 50% of the home value. We have embedded this approach in our structural services. This way, new customers are included in our approach and customers are more often approached by us. In the year 2020, more than 41,000 customers were approached more than once. Customers can also easily set to work themselves. The online tool available in 'my-environment' shows

customers insights in the possibilities, and a way to get in touch with an advisor. The tool enables them to calculate their charges when they repay, or do not repay, all or part of their mortgage and what happens at the end of the term. If and when the customer has made a choice, it can easily be effected in the same tool. This way, the customers themselves are in control of their own mortgage.

2. Payments

Our current accounts for young people help children from an early age to find out how having a current account works. They learn how to make cash withdrawals and how online banking works, for instance. These products also grow with the children, helping them manage their money step by step. Children may be assigned their very own youth debit card, obviously with adjusted limits, and parents can view the account through online banking or the app. Giving useful tips about banking affairs, we also assist parents in the financial education. For adults, our brands SNS, ASN Bank and RegioBank offer various current accounts. We offer many useful features with these accounts, such as an online housekeeping book for an overview of income and expenses, balance alerts, and the option to choose a PIN number for the debit card. Research bureau MoneyView chose SNS Complete as the best payment account based on its conditions. The positive characteristics mentioned are, for instance, purchase insurance and being able to be in the red for three days without costs.



Our accounts offer many useful features, such as an online housekeeping book for an overview of income and expenses, balance alerts, and the option to choose a PIN number for the debit card

DILEMMA

Consumers believe that negative savings rates are fundamentally unacceptable, but banks increasingly struggle to pay interest on savings accounts.

Our survey conducted in late 2019 clearly showed that negative interest rates are incompatible with the strong saving mentality of the Dutch. We were brought up with the idea that saving pays off, and the Dutch banks have encouraged saving for years. The introduction of negative interest rates in the market has sparked deep-rooted emotions in consumers. In the survey, consumers indicated they would look for alternative ways to obtain more control and certainty, even if this were to adversely affect the safety of their savings, such as keeping cash at

home. This option was stated mainly by people with low bank balances. If we are to instil financial confidence in the Dutch, we need to continue to encourage saving among people of all ages. It must always be possible to have a buffer – we keep this in mind at de Volksbank. In 2020, we offered our retail customers an interest rate of at least 0.01% to continue to encourage them to save. Looking ahead at 2021, we feel compelled to charge retail customers a negative interest rate for balances exceeding € 250,000 as a result of the low interest rate environment.

It is as important as ever that ordinary savers are able to build up a buffer; we are still committed to this. Conversations with customers clearly reveal that ‘human’ communication about this topic is very important. A clear explanation of why we do charge negative interest in some cases, combined with genuine sympathy for emotions, is required and – as customers indicated in the survey – in line with how our brands communicate.

SECURE BANKING

At de Volksbank, we work on secure banking for the brands’ customers every day. At the same time, we see an increase in the number of spoofing, WhatsApp help request fraud and phishing reports. We can only counter this if people in the Netherlands learn how to withstand fraudsters and cybercriminals. That is why we have launched the ‘Recognise the Fraud’ campaign. We endeavour to help and support those customers who have been defrauded. We teach customers to recognise through so-called red flags that something is not right and how they can best act in that situation.

3. Savings & wealth accumulation

Saving is important for both young and old people if they are to be financially confident. Our Zilvervloot account encourages saving from an early age and we explicitly raise awareness on the importance of saving among young people with our successful Eurowijs educational programme and RegioBank’s Young Wise packages. We also support and promote saving with our savings products for adults, for instance in the form of digital piggy banks. For bank savings products, we tailor our advice to the customer’s needs. For wealth creation, too, we offer every customer a suitable solution by means of personal advice or by allowing them to simply take everything into their own hands. Saving is automatically associated with savings rates. The persistently low interest rates present us with a dilemma in terms of negative interest rates.

3.1.3 Data, privacy and customer data safety MTS

At de Volksbank we protect and respect customers' privacy. This ensures that personal details are secure and that customers are in control of their own data. New technologies make it easier for consumers and organisations to share data rapidly and efficiently. We want to ensure that our customers remain in control of their own data and their privacy is guaranteed. As such, the motto of our data vision is 'your data, you decide'. Naturally, we take the General Data Protection Regulation (AVG) as a starting point. We were also able to take a number of additional steps in 2020, in line with our own vision on data and privacy.

MyData Global membership

De Volksbank is the first bank in the world to join MyData Global, a global network set up to protect people's personal data, to put individuals first and to give people more control in the ever-growing data economy. The data belongs to the individual and the individual ultimately decides whether other people are permitted to use that data. This way, we work towards a world where controlled and minimum data sharing becomes the standard, and as a bank we gladly contribute to this.

International developments

This year the European Union launched its European Data Strategy. The strategy clarifies that the development of a data sharing economy is largely determined by international factors. This is also reflected in the developments around Self-Sovereign Identity (SSI), which we monitor with interest. A uni-

form and reliable digital identity is a major building block for a data sharing economy. To contribute to this, we will join a Dutch consortium that will implement an initial form of SSI in accordance with the EU Data Strategy

Mortgage pilot project

In 2020, we integrated a data management and data sharing trial into our mortgage process. An experimental data app allowed customers to independently supply data and documents for mortgage applications. This meant that they could decide who received which data – i.e. they were in control. The additional advantage is that the use of a data app significantly speeds up the process and increases user-friendliness.

General Data Protection Regulation

Before the GDPR came into effect in 2018, de Volksbank had already taken the necessary steps to safeguard the privacy of customers and employees in line with the law. We have continuously made further improvements ever since to ensure that we are always working according to the purpose of the GDPR. A major improvement in 2020 was the strengthening of our Privacy Office, which was repositioned and now placed under the Compliance department. The Privacy Office accommodates the Data Protection Officer and a number of Privacy Officers.

Prevention of data breaches

A data breach entails the unintentional release of personal data. Due to the numerous moments of contact

between the bank and customers, personal data may be sent to the wrong recipient. We always act on a data breach in order to limit any loss or damage and analyse how it came into being in order to avoid and limit future data breaches. We have set up an internal Data Breach Committee for this purpose, which always gives advice when several people are involved in a data breach. In addition, in order to act adequately and as quickly as possible in the event of incidents, we have a communication protocol to inform those involved. More information about our approach and our privacy rules is [available here](#).

Artificial intelligence

The use of emerging developments such as artificial intelligence (AI) poses dilemmas (see text box). Partly for this reason, de Volksbank set up an Ethics Office and an ethical sounding board group and developed tooling in 2020. This allows us to test whether the use of an algorithm or AI model not only meets legal requirements, but also our own standards and values regarding the use of data and AI. We do this on the basis of our "Algovision", a vision document that contains our standards and values regarding the use of data and AI.

We want to ensure that our customers remain in control of their own data and that their privacy is guaranteed

DILEMMA

Responsible use of artificial intelligence

We can hardly imagine a world without artificial intelligence (AI). Their ability to analyse a vast amount of potential correlations and data at super speed gives algorithms major benefits and possibilities for an increasing number of applications. And yet the way algorithms are currently designed and trained does have some drawbacks, presenting us with dilemmas. We also increasingly see the consequences of existing bias that is explicitly or implicitly embedded in the data we use to train AI models. Filtering out this bias proves to be difficult, also because we are often not even aware of our own implicit preconceptions. Another dilemma that arises while applying AI is the degree in which we as a bank are able and want to use the insights for our customers' benefit. Even though our intentions are right, customers may view this as a breach of their privacy. An example from our practice: we tested a 'smart alert' based on algorithms that helped us estimate whether a customer's income might be too high for entitlement to allowances that we, as a bank, know someone receives. We are able to warn these customers that they run a risk of the authorities reclaiming the money and to advise them to check this. Some customers are highly satisfied with this alert and regard it as a proactive approach, whereas others wonder why we are meddling in their affairs. In short, AI offers many opportunities to proactively help and support customers, but both the customers and the models themselves still need to grow in this new world.

3.1.4 Availability of services MT13

De Volksbank uses four bank brands to create an omnichannel distribution network in which the brands are perfectly complementary. Customers are key and decide for themselves which channels and media they use. ASN Bank works with an internet-only model and keeps in close contact with its customers, for example through the website. Moreover, the ASN Mortgage is offered via SNS Shops. BLG Wonen works together with independent advisers across the country. SNS and RegioBank, in turn, have a local presence through independent advisers and shops, with RegioBank specifically targeting villages and small towns with up to 20,000 inhabitants. RegioBank exclusively applies a franchise formula. SNS works partly with its own stores and partly with franchisees. This way, we have national coverage with our brands and there will always be a branch nearby where customers may go to personally ask for advice. We always bear in mind the needs of our target groups and attune both our online and our offline communication and distribution to this. We also set high requirements on the availability of our services, making every effort to ensure that customers can always use our payment services, such as debit card payments, cash withdrawals, iDEAL and online and mobile banking. The availability in percentages can be found in the table.

Especially in times of Covid-19, our availability is of the utmost importance and we intend to show that we are there for our customers. Especially at times when customers have many questions about their money, personal contact with our customers and

Availability in % ¹	Sector	SNS	ASN Bank	Regio-Bank
Online banking	99.88	99.83	99.88	99.89
Mobile banking	99.82	99.97	99.97	99.97
iDEAL	99.90	99.87	99.87	99.88

1. Numbers represent Q4 2019 - Q3 2020.
Source: Vertrouwensmonitor Banken 2020

our availability are paramount. That is why the SNS Shops remained open on an appointment-only basis, we introduced video calling, and the shops launched several small initiatives throughout the country. One such example is proactively contacting customers who might be financially affected by the Covid-19 crisis.

ATMs

De Volksbank decided to close its ATMs. The more than 200 ATMs placed in shops in were removed in the summer of 2020. The approximately 40 ATMs that remained in streets were closed at the end of November after suffering from several explosive attacks in a short period of time. De Volksbank expanded its services to customers as the ATMs were removed. The nationwide network of Geldmaat and other parties now allows customers to check their balance, change their PIN number and withdraw funds under a raised debit card limit.

Simone Lieffering

Owner of game shop 'Koning Willem' in Deventer and customer of SNS



'We made a profit despite all setbacks'

Simone Lieffering runs a game shop in Deventer together with her partner Wilko ten Dam. 'Koning Willem' has been immensely popular for 23 years for its wide range of board games, jigsaw puzzles, merchandise and gadgets. How did the two entrepreneurs manage to stay afloat in 2020?

"If I would have to describe the year in one word, I would say: worries. It's cost us so much energy. When the pubs closed in March, we really started to panic. Our shop is pleasantly crowded during the weekends in particular. People come here to have a look around and play a game with a cup of coffee. We no longer considered it safe. What should we do?

We then closed for six weeks. We took that time to take measures. We created more walking space, hung up plexiglass and introduced shopping baskets. Meanwhile, we delivered online orders by bicycle. We also immediately applied for all schemes to benefit from them. And to create a bit more buffer, we thought it wise to immediately apply for a loan with our bank, SNS.

Although the loan was arranged in no time, the interest rate was high. Many news reports at the time stated that banks could apply a guarantee. It was neatly explained to us that SNS was not one of those banks. And then what? We then sounded the alarm. Luckily, SNS was sympathetic to our appeal and we were able to agree a different interest rate. SNS created a special commercial loan with a lower interest rate for business owners like us, even before the general Small Loans Covid Guarantee Scheme was introduced.

We are glad that, so far, there's been no need to use the loan. We even made a profit in 2020 despite all setbacks. The profit we made in the summer exceeded the losses we suffered during the Christmas season.

As our webshop is our source of income during the lockdown, we're currently expanding it. But in the end we cannot be a webshop, and we don't want to be. Large online companies are always cheaper. People come to us for our knowledge, advice and that cup of coffee!"

RegioBank

A driver of quality of life in the neighbourhood

Having 483 branch offices in villages and small towns, RegioBank is 'the bank nearby'. As a customer, you speak with your own Independent Adviser, who knows who you are and what is happening in the area.

RegioBank has deliberately opted for this regional approach. Local communities are of great value to the Netherlands and local basic services such as a school, a supermarket and a bank must remain there. That is why RegioBank has ensured for no less than 100 years that everyone is given the opportunity to manage financial affairs at a branch office nearby.

RegioBank is committed to improving the quality of life in villages and small towns. RegioBank launched several initiatives for this purpose.

- The introduction of new business propositions such as an overdraft facility, a commercial mortgage, a business credit card

and point-of-sale terminals for business owners. RegioBank helps local entrepreneurs as they are key to the region's economic vitality.

- Workshops and lessons about money matters for people of all ages. RegioBank Independent Advisers organised 'secure online banking' workshops and gave guest lessons in schools in their neighbourhood.
- Formation of the VoordeBuurt Fonds together with Oranje Fonds, a Dutch Foundation that provides clubs and foundations with funds to promote participation in society. RegioBank uses the new fund to support local initiatives boosting engagement between people.
- Launch of the Samen voor de Buurt initiative, a platform to raise funds and find volunteers for local initiatives. Such initiatives may include a dinner for lonely elderly people or a community vegetable garden.
- Introduction of a Liveability Monitor (Leefbaarheidsmonitor) in collaboration with accounting firm PwC. Specific data gives Independent Advisers an understanding of the quality of life in their region and allows them to take appropriate action.

In addition to the initiatives set out above, RegioBank continues to invest in its relationship with customers by physically remaining nearby and through various customer programmes. Rising to +14, the Net Promoter Score (NPS) for customer loyalty shows that customers appreciate this. Furthermore, in a survey by the Dutch Consumers' Association, RegioBank was once again awarded the highest score of all banks.



3.2 Responsibility for society

Contributing to society through our shared values, we aim to generate more impact by taking sustainability measures and increasing customers' financial resilience.

KPI	Target for 2020	Achieved in 2020	2019
Climate-neutral balance sheet	45%	59%	44%
Financial Confidence Barometer	>50	51	48

As we are on track with our 'Climate-neutral balance sheet' KPI towards reaching our target for 2030, we are satisfied with the progress made on this topic. We also reached our target for 2020 on the KPI 'Financial Confidence Barometer'. Below, we will discuss what we did to reach these targets. We will explain how we take social responsibility for our investments and our business operations, focusing specifically on our responsibility for the climate, biodiversity and human rights.

3.2.1 Socially responsible investing MT2

Socially responsible investing is embedded in our investment policy. All the funds we manage are sustainably invested to make a positive impact. We do not invest in sectors like the arms industry or the fossil materials industry, but we do invest in projects, countries, organisations and companies that use their policies and business processes to contribute to a better climate, human rights and biodiversity.

For instance, ASN Bank finances renewable energy projects and SNS screens SME customers that wish to take out a loan or mortgage.

The Sustainability Expertise Centre (SEC), which is part of ASN Bank, is responsible for our sustainability policy and its application to all our activities and processes. Using investment criteria which we included in our [Sustainability Criteria Guide](#), we translate this policy into practice within the bank. We apply this comprehensive policy to all our loans, financing and investments, so also to the government bonds or green bonds in which de Volksbank invests. Please refer to the ESG Report for a detailed explanation of our sustainability policy and its implementation and monitoring.

The assets we manage for customers in sustainability funds have been entrusted to ASN Beleggingsinstellingen Beheer B.V. (ABB), also known as 'ASN Beleggingsfondsen'. ASN Beleggingsfondsen invests in companies, authorities, microfinance institutions, green bonds and projects with its twelve funds. Each fund has its own investment policy and risk and return profile. All funds are subject to our stringent sustainability criteria covering climate change, human rights and biodiversity. ASN Beleggingsfondsen has set long-term goals for these themes. The ASN Beleggingsfondsen annual reports provide more information about the progress we have made with the objectives. The reports, together with ABB's voting and engagement reports, will be available [on the website](#) of ASN Beleggingsfondsen as from 18 March.

As a proportion of all assets on our balance sheet, our offices and transportation cause just 1% of the total CO₂ emissions

3.2.2 Sustainable business operations

As a proportion of all assets on our balance sheet, our offices and transportation cause just 1% of the total CO₂ emissions. We nevertheless believe that our sustainability ambition is not credible without green business operations. That is why we aim to achieve 100% climate-neutral business operations. We also want to continue to save energy in order to continually reduce the CO₂ emissions that need to be offset. Our target for 2024 is to produce 13% less CO₂ than in 2019. One of the measures we aim to take is to install LED lighting in all our shops in 2021 (2020: 83.3%). The point of departure since 1 January 2017 has also been to lease electric cars only (year-end 2020: 68.5%).

- In 2020, as in previous years, our business operations were 100% climate neutral as we offset our CO₂ emissions by donating to a sustainable forest project in Kibale National Park in Uganda through Trees for All.

- In 2020, our net CO₂ emissions were down 38% from 2019*, from 3,745 to 2,321 tons. This drop mainly ensued from a reduction in commuting and business travel; because of Covid-19, most of our employees have been working from home since March.

3.2.2 Green Bond Framework

Drafted on the basis of the ICMA Green Bond Principles in 2019, the Green Bond Framework sets the parameters for issuing unsecured bonds on sustainable conditions that directly contribute to our climate objectives. In 2020, Environmental Finance rewarded us with the Green Bond Award of the Year for our first green bond and we were the first bank in Europe to successfully issue a green Tier 2 bond. These are two positive milestones for our green issuance policy. In 2021, we will publish an update of the Green Bond Framework that is tailored to the new strategy and future laws and regulations. More information about our Green Bond Framework and the corresponding publications is available on [our website](#).

3.2.4 Sustainability policy: 3 pillars

Sustainability is embedded in our core activities through our manifesto and shared value principle. To put sustainability into practice, we have developed a sustainability policy consisting of three pillars: climate, human rights and biodiversity. The underlying principles are based on important

* Due to changed emission factors for electricity, our reported gross emissions were also adjusted in 2019

and globally recognised reports, treaties and conventions. In addition to our sustainability policy, we also use thematic policy papers and policies for specific departments. All this comes together in the House of Policies Sustainability (HOP). A detailed explanation can be found in the ESG Report.

Pillar 1: Climate MT3

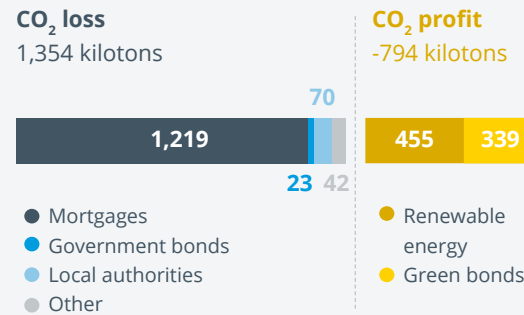
Together with the financial sector, we committed ourselves to the Dutch Climate Agreement at the end of 2019. This means that we:

- publish the climate impact of loans and investments;
- actively contribute to the energy transition;
- phrase objectives to improve our climate impact.

In 2015, we had already set ourselves the goal of having a climate-neutral bank balance sheet by 2030 at the latest, with an interim target of 45% climate neutrality in 2020.

Our balance sheet is climate neutral when our entire bank balance sheet causes as much CO₂ as we avoid, reduce or even take out of the air. We have been measuring and reporting on the steps we take towards a climate-neutral balance sheet since 2015. We present the measurement results in a CO₂ balance sheet. We will continue to increase the climate neutrality of our balance sheet by funding renewable energy projects and making our residential portfolio more sustainable.

CLIMATE-NEUTRAL BALANCE SHEET 2020

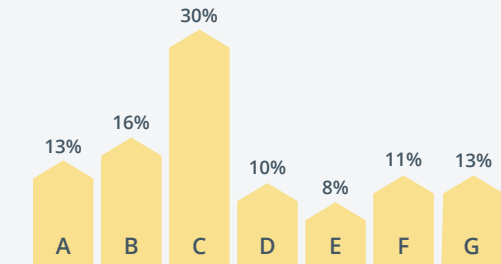


CLIMATE-NEUTRAL BALANCE SHEET 2020

At the end of 2020, our balance sheet was 59% climate-neutral and we therefore reached our interim target of 45%. This result is an improvement of 15 percentage points compared with the end of 2019 (44%) and is driven by additional project financing and the purchase of climate bonds.

The emissions of our bank balance sheet mainly ensue from the high number of mortgages we finance. Our mortgage portfolio accounts for 1,219 kilotons of CO₂ emissions (2019: 1,180 kilotons). These emissions are based on the provisional and final energy labels of the homes we finance. The average energy label of our mortgage portfolio remained unchanged at D. Of our customers, 29% have a home with energy label A or B. For the homes with energy labels C to G, there is still much room for

ENERGY LABELS OF FINANCED HOMES



* Rounded percentages based on the RVO database at year-end 2020. 34% of the homes have a final energy label.

improvement through, for example, insulation and solar panels. Incidentally, a higher grade energy label does not mean that the energy consumption, and thus the CO₂ emission, is automatically reduced. For this reason, we are exploring options to calculate the CO₂ emissions of the residential portfolio on the basis of actual energy consumption data. For instance, in May 2020 we cooperated with Statistics Netherlands (CBS) in publishing the actual energy consumption of the residential portfolios of de Volksbank and six other financial institutions for 2015 and 2016. We are presently exploring within the Partnership for Carbon Accounting Financials (PCAF) whether the currency and accuracy of this CBS survey can be improved, allowing us to use it in our calculations.

In 2020, we started implementing the PCAF methodology in our business processes, and we will report

according to this methodology as from 2021. We estimate that the switch to the PCAF methodology would have had a negative effect of 15 percentage points on our climate neutrality at the end of 2020. This is mainly due to the application of other emission factors in calculating the impact, which predominantly affects the calculation of avoided emissions of our loans, i.e. the CO₂ profit. Starting in 2021, we will also increasingly consider the life cycle emissions of the different types of renewable energy. For many types of energy these emissions are not very relevant, but in some cases – such as in the total life cycle emissions of energy generated from biomass and solar energy – they are. More information can be found in our ESG Report 2020.

SUSTAINABLE HOUSING

Our brands SNS, ASN Bank, RegioBank and BLG Wonen all help their customers make homes energy efficient, including by sending mortgage customers information about issues such as insulation measures and solar panels at various points in time. SNS also organised a webinar for customers about such home adjustments and how to fund them. RegioBank invited customers to similar meetings in the shops. BLG Wonen made customers a green energy group offer and ASN Bank devoted its *Goedgeld* magazine to the issue of sustainable housing. Furthermore, in 2020 our brands jointly launched the website woningverbeteraars.nl, a platform where consumers will find both technical and financial information and advice about saving energy. As a user you can get an overview of possible measures through a personal step-by-step plan. And,

if desired, they can immediately request quotations or schedule an appointment with a financial adviser. Our independent supervisory body Natuur & Milieu has carefully selected all parties associated with the Woningverbeteraars initiative based on price, quality and sustainability.

In order to advance the sustainability of the housing market, de Volksbank also joined the Sustainable Housing Sector Collective (*Sectorcollectief Duurzaam Wonen*) in 2020. This means that we will train our mortgage advisers to become Qualified Sustainable Housing Advisers. The SNS and RegioBank advisers have already started their training. Furthermore, we also cooperate closely with other initiatives. De Volksbank is the main partner of *Duurzame Huizenroute*, for example. Every year, some of our customers visit energy-efficient homes (online) to be inspired and share experiences. In 2020, we actively contributed to the election of the Most Sustainable Home of the Netherlands with the aim of putting nice, scalable initiatives in the limelight and showing that sustainability is a goal that everyone can reach. For energy-saving measures up to € 30,000, the ASN Mortgage can be increased. This is how we offer just a little extra compared to most of the other providers in the market.

Pillar 2: Human rights

Human rights are a key component of our sustainability policy. We examine where our investments pose human rights risks and take action to mitigate these risks. We also look at our own organisation; more information about this is included in [Chapter 3.3](#).



Our brands SNS, ASN Bank, RegioBank and BLG Wonen all help their customers to make homes energy efficient

PLATFORM LIVING WAGE FINANCIALS

Our 2018 analysis of the most explicit human rights risks revealed that a living wage is a key risk for de Volksbank. We invest in listed garment companies through the ASN Investment Funds. Most of these companies have their products manufactured in countries where wages are too low to make a living. That is why ASN Bank pooled resources with MN and Triodos Investment Management to found the Platform Living Wage Financials (PLWF) in 2018. In 2020, PLWF grew to fifteen investors with assets under management totalling more than € 2.6 trillion. This means that we can make a stronger voice heard towards garment companies. Other members have also started engaging with companies in the food sector. PLWF attempts to encourage companies to change by engaging in a dialogue with them, for which purpose the platform also collaborates with a network of international (non-governmental) organisations. Positive developments are visible in a number of the 32 garment companies in total that are engaged in dialogue with the platform. Some companies have started reporting on (aggregated) wage data, for instance. All developments can be found in the [Living Wage Report](#). More information about our human rights policy and the developments in 2020 is available on [our website](#) and in the [ESG Report](#).

Pillar 3: Biodiversity

In addition to a change of land use, overexploitation and pollution, climate change is one of the main threats to nature and biodiversity preservation. Whereas we need that same biodiversity to com-

bat climate change, as forests, peatlands, soils and oceans play a major role in carbon sequestration. Biodiversity is also indispensable to mankind; it provides us with food, water and ingredients for the development of medicines.

In comparison to the impact of our investments and loans, de Volksbank itself has only a minor impact on biodiversity. This impact mainly comes from the land use of its office buildings. But our investments in projects, countries and companies are in fact detrimental to biodiversity. Our aim is to prevent further loss of biodiversity and contribute to a biodiversity gain.

That is why we want our investments and loans overall to have a net positive impact on biodiversity by 2030. We intend to reach our goal by reducing our impact on a further loss of biodiversity and by investing in nature development and recovery, renewable energy and the circular economy. We also joined the Partnership for Biodiversity Accounting Financials (PBAF) in 2020 and signed the Finance for Biodiversity Pledge, in which we promise to contribute to ecosystem recovery and protection.

Being one of the frontrunners on the biodiversity theme, ASN Bank is an active member of the Biodiversity Working Group of the Dutch Central Bank's Sustainable Finance Platform. In that role, ASN Bank contributed to the publication in 2020 of a guide on how the financial sector will be able to tackle deforestation. Apart from available services and instruments, the guide also describes a

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A driver of sustainability

ASN Bank aims to encourage sustainable progress by being a sustainable driver itself. Seeking to create the greatest possible impact, the bank cooperates with other financial institutions where possible.

In the area of climate change, initiator ASN Bank has worked together with the Partnership Carbon Accounting Financials (PCAF) since 2015. PCAF currently boasts more than 80 participants worldwide, whose assets under management combined total \$ 1,000 billion. The bank also co-founded the Platform Living Wage Financials (PLWF) in 2018 and initiated the Partnership Biodiversity Accounting Financials (PBAF), which was founded in 2020. This partnership between financial institutions promotes the development and publication of universal guidelines and methods for measuring positive and negative effects on biodiversity. PBAF presented its first report in September 2020; it was the first step towards a joint approach for the sector.

step-by-step plan and a number of best practices from the Dutch financial sector. More information about our biodiversity policy and long-term goal can be found in the [ESG Report](#) and on [our website](#).

3.2.5 Financial resilience MT4

Every single day, we are fully committed to the task of making the Dutch financially resilient. Our goal is to build a country where everyone enjoys financial well-being and, as a result, is able to live comfortably and enjoy life. Financial resilience is rooted in de Volksbank's DNA; 200 years ago, we were incorporated partly for this purpose.

Our Financial Resilience Centre of Expertise, which is part of SNS, guides and directs the way for all

our brands to implement and promote the three components listed below for all our brands.

1. Financial health

We want to enable people to be and remain financially healthy, which requires a structural balance between income and expenditure. This is how we help customers increase their financial resilience.

IMPACT OF COVID-19

The virus dealt a severe blow to the Dutch economy in 2020. Customers had many questions about their money, which meant that easy access and personal contact were paramount to us. As the Covid-19 crisis persisted, many customers kept feeling uncertain about their financial position. That was why measures

like a full or partial payment holiday were extended for customers who needed them. If no prospect of improvement was found in the end, the Arrears Management department would look for a suitable solution together with customers. Consequently, the fact that many customers resumed paying their monthly instalments is reflected in the figures.

We also took measures for our SME customers. Initially, we offered them the following solutions:

1. Raising the existing credit limit;
2. Temporarily halting the phase-out of commercial loans for a maximum period of six months;
3. A temporary rate of 3.5% on commercial loans, or additional commercial loans, until 1 January 2021.

Every single day, we are fully committed to the task of making the Dutch financially resilient. Our goal is to build a country where everyone enjoys financial well-being and, as a result, is able to live comfortably and enjoy life



Although banks stopped offering repayment and/or interest holidays on commercial loans on 1 August 2020 as agreed by the banks associated with the Dutch Banking Association, it was in fact possible to apply for a commercial loan under a Small Loans Corona Guarantee Scheme. We explored possible tailor-made arrangements for customers to whom the solutions did not provide relief.

SNS: A GUIDE IN TIMES OF COVID-19

The virus hit us all in 2020 and gave rise to all sorts of questions. Can I still manage my financial affairs as I am accustomed to? How do I combine working from home and taking care of my children? Who will help me, a small business owner, now that my business is severely impacted?

At the same time, we saw heart-warming initiatives emerge throughout the country and a great urge in people to help one another. That is why SNS drafted a SNS Covid-19 Guide in the first lockdown period. The guide gave a clear list of practical tips and national initiatives and solutions that created a sense of community, such as a project to obtain computers for children who did not have access to a laptop at home. Obviously, the guide also included useful information about SNS's services.

2. Financial education and financial skills

Eurowijs has been in existence since 2013 and provides free teaching materials for all groups of primary education, special education and lower secondary education. Teachers can set to work with the materials themselves or they can invite a guest teacher.

In 2020, Eurowijs worked with a total of 724 guest teachers, 601 of whom were from de Volksbank. The other guest teachers were either former employees or employed elsewhere.

Following the Covid-19 outbreak, Eurowijs developed short online lessons for distance learning in 2020, supplemented with calculation and theme sheets and additional free downloads for teachers and homeschooling parents. During the lockdown, Eurowijs also offered all employees with children in primary education one week's free login for thuisnaarschool.nl, allowing children to attend free online lessons from 9 to 12 o'clock in the morning. The Eurowijs Day that was to be organised on 5 October was cancelled as a result of the Covid-19 measures, and hardly any guest lessons could be given after March 2020, if at all.

18 AND FINANCIALLY INDEPENDENT

Legally speaking, young people become financially independent when they turn 18. Seeking to properly prepare them for this moment, customers who nearly reached the age of 18 in 2020 were invited for a conversation at a SNS Shop. SNS Advisers discussed with them the financial changes they faced when they turned 18. SNS also posted new information on the website about coming of age. This is how SNS aims to enhance young people's financial skills. The success of this initiative has led RegioBank to adopt the approach and adapt it to its own brand.



NUMBER OF PUPILS REACHED WITH EUROWIJS TEACHING MATERIALS

2020	2019
152,624	216,628

3. Towards financial confidence

De Volksbank has used the Financial Confidence Barometer since March 2018 to measure financial concerns among approximately 1,300 Dutch people, 530 of whom are customers of our brands. The Barometer reveals why people have concerns and what they are concerned about.

The following factors play a role in financial concerns:

- A sense of control;
- Self-confidence in case of financial difficulties;
- The degree of financial planning;
- A tendency to display avoidance behaviour.

Every month, we ask respondents to what extent they feel that their bank is there for them in case of financial stress. The respondents answer this question on a scale of 1 (totally disagree) to 100 (totally agree). Our target for 2020 was 50. Scoring 51, we reached the target and continued the upward trend from the baseline measurement in 2018. We are glad that people do actually contact the bank especially in this day and age, and experience that we are ready to help them whenever they have financial concerns.



Committed to financial resilience

Personal contact is key to improving customers' financial resilience. For this reason, SNS started working with regional customer teams in 2019, meaning that customers has direct contact with the team that is employed at the SNS Shop in their neighbourhood.

This personal, direct contact with customers allows the bank to be of great significance at important moments in people's lives. During the Covid-19 crisis, for instance, when SNS is keen on personally answering the numerous extra questions that customers have. Shops have remained open since the start of the crisis, although sometimes by appointment only, and customers are able to consult their advisers through video calling. The 'Give and Go' app was also launched, allowing customers to ask a question directly to a personal adviser of their choosing. If the question is a

specialist one, the adviser may also add an expert to the conversation. The Een-tweetje (give and go in English) app was downloaded 5.618 times in 2020. The new approach helps SNS to get to know its customers even better, to build a relationship with them and to help them increase their financial resilience.

In 2020, SNS also initiated a training programme called Making Financial Resilience Happen (*Financiële Weerbaarheid Waarmaken*) to help customer teams in the SNS Shops ensure financial resilience in their work. The advisers learn, for instance, how they may approach customers whose accounts have been overdrawn for a few weeks and invite them to an income-expenditure meeting at the SNS Shop. This proactive approach is intended to prevent payment problems in the long term. Advisers in 20 customer teams now proactively contact customers whose accounts have been overdrawn for longer periods of time.

Finally, SNS takes part in the Dutch Debt Support Programme (*Nederlandse Schuldhulproute*; NSR). NSR cooperates with municipal authorities, companies and partners to bring about a country without debt worries. The 'route' refers to the appropriate help that is given, ranging from prevention to assistance. SNS contributes to the aim of the Dutch Debt Support Programme with its personal approach through customer teams and other initiatives.



3.2.6 Responsible tax policy MT11

As a social bank, we ensure that the laws and rules governing our business operations and activities are properly complied with. We believe that this also calls for a responsible tax policy that benefits the organisation, our customers and society. As such, we see a tax payment as a social contribution.

In recent years, attention for the tax policy of internationally operating companies and international tax evasion has increased. De Volksbank endorses international legislative initiatives in this area, such as the Base Erosion and Profit Shifting (BEPS) of the Organisation for Economic Cooperation and Development (OECD) and the changes in local legislation. We do this even though not all parts are equally relevant to de Volksbank since we mainly operate in the Netherlands.

Our tax policy

Health, safety, education and other public expenditure are paid for from tax revenues, and we are well aware of that. Being a social bank, we gladly pay our share. Naturally, we observe all relevant tax laws and regulations, in which respect we check especially whether we comply with their underlying intentions. This means that we have opted not to aim for the lowest possible tax rate or an artificially reduced tax rate.

Tax policy on customers

De Volksbank's brands do not provide direct tax advice to customers, nor do we want to facilitate tax-aggressive structures for our customers. That

is why de Volksbank does not cooperate in transactions of which tax savings are the main objective. In fact, we check very carefully whether a transaction or position is robust and has sufficient substance.

Tax authorities

We maintain a proactive, open relationship with the tax authorities based on transparency and mutual trust. We emphasised this point of departure in 2017 by signing an agreement in relation to so-called 'Horizontal Monitoring'.

Tax rate and taxes paid

We accounted for € 59 million in corporation tax on the result for 2020. The effective tax rate was 25%. Apart from this income tax, de Volksbank is also subject to a number of other taxes. These taxes and amounts are as follows (in € millions):

	2020		2019	
Corporation tax	€ 59 million	25% ¹	€ 87 million	24% ¹
Payroll tax/ social security contributions	€ 97 million		€ 106 million	
Non-recoverable VAT	€ 38 million		€ 42 million	
Bank tax	€ 0		€ 0	

1. The percentage stated is the effective tax rate. The nominal corporation tax rate was 25% for 2019 and 2020.

3.3 Genuine attention for employees MT6

Every day, our employees put our mission of 'banking with a human touch' into practice. To provide them with maximum support, we give genuine attention to professionalism, autonomy and personal growth. We would like employees to develop themselves in order to make a difference for customers and make a meaningful contribution to our mission and strategy every single day.

Twice a year, we ask employees how they experience this genuine attention. We do so using the following themes:

- A meaningful contribution to the mission and strategy;
- Trust;
- An open and people-oriented working environment;
- Facilitating leadership;
- Room for professionalism and personal growth.

KPI	Target for 2020 and beyond	Oct. 2020	Oct. 2019
Genuine attention	≥ 7.5	7.9	7.7
Commitment	8.0	8.4	8.0
Engagement	8.0	7.6	7.4

The above figures are averages on a scale of 1 to 10.



Employees are satisfied with the development opportunities and facilities in place for professionalism and personal growth

The scores in April 2020 were higher than the previous year for nearly all questions. The survey of October 2020 revealed that we had succeeded in holding on to this high appreciation of genuine attention. Employees experience great trust and the freedom to make a meaningful contribution, which is essential in a situation where they work fully from home.

Every year – twice a year from 2021 onwards – we study the effect that genuine attention has on our employees, seeking to know whether they do indeed feel committed and engaged when they work. The 2020 survey shows that employees were more engaged and committed than they were the year before. They are proud of their work and of de Volksbank. However, the target for the degree of engagement has not yet been reached. According to employees, collaboration, innovation and efficiency are the main points for improvement. We will set to work on these aspects.

Impact of Covid-19 on working conditions and vitality

Obviously, the exceptional situation resulting from all Covid-19 measures impacted our employees. Although working from home was already commonplace, as from mid-March we switched to almost fully online cooperation. The working from home budget enabled employees to equip their home office in an ergonomically responsible way.

We asked employees about their situation in April 2020. Many of them indicated that they experienced

sufficient support and were able to collaborate fully online, but that they missed their colleagues. The work-life balance was the main point of concern, especially for employees with young children. Although absenteeism showed a strong decline in the second quarter of 2020, we saw an increase in the fourth quarter to 4.3% on average (2019: 4.5%). This figure exceeds the standard of 3.7% we have set. That is why we developed several initiatives to help employees stay healthy and fit, such as health tips, and vitality coaches provide online workshops and team sessions.

Investing in learning and development

With a genuine focus on professionalism, autonomy and personal growth, we create value for our employees. With this we want to retain our current employees and be an attractive potential employer. Employees are satisfied with the development opportunities and facilities in place for professionalism and personal growth.

Employees need to keep learning if they are to be employable in the long term; this holds true both for their current position and for any future positions within or outside the bank. Besides, conditions are constantly changing and this, too, calls for lifelong learning. As a bank, we develop along with our people and we are continuously improving our services.

In 2020, we invested € 4.9 million in employee training and development of our employees (2019: € 6.7 million). The average training costs per FTE (€ 1,532) were lower compared with 2019

(€ 2,249). This decrease was mainly caused by many courses and team sessions being cancelled due to Covid-19.

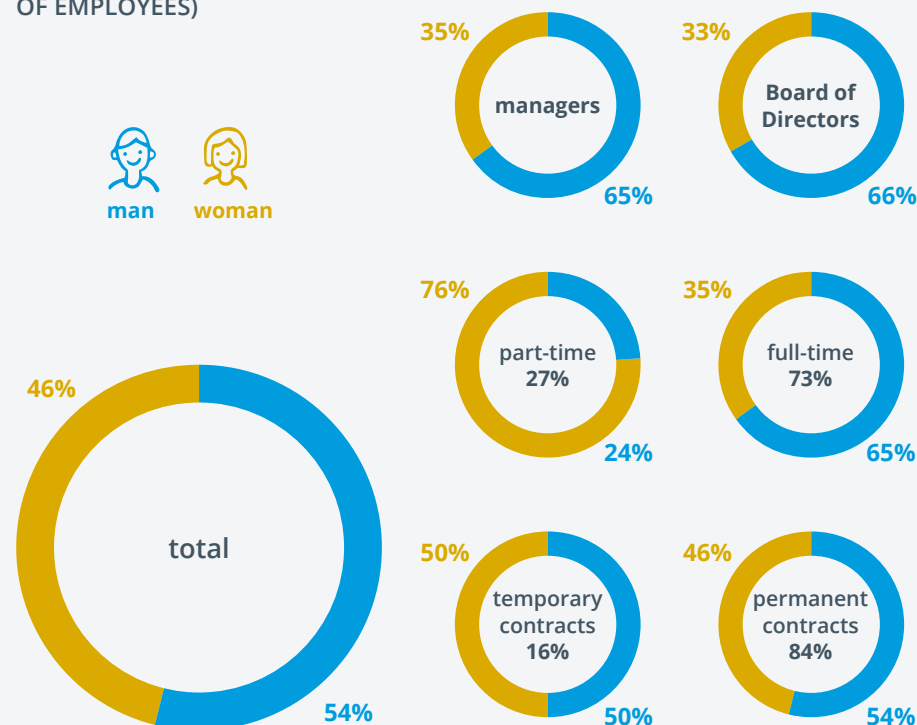
Last year, we refined our vision of learning and developing; learning becomes fun when it is useful and relevant. Inspired by this idea, we increased our focus on continuous learning and learning on the job, which calls for innovative learning solutions and employees being more in control. Starting in 2021, we will adapt our organisation to the refined vision; all learning and development activities will be available at a single location and an innovative learning platform will be set up.

As continuous learning and learning on the job also take centre stage in our leadership development programme, the programme is linked to the goals that employees aim to reach by themselves and together with their team. Senior management started with the programme in 2019; all management teams followed in 2020.

A diverse and inclusive working environment MT8

Diversity and inclusivity play an important role in realising our mission. Our starting point is to create an inclusive culture where customers and employees feel at home, where all differences are valued and used to make better decisions and to realise our mission and ambitions. This starting point is a conscious choice: only when the environment is inclusive, it is possible to utilise the added value of diversity. At de Volksbank, diversity refers to

GENDER BALANCE 2020 (BASED ON THE NUMBER OF EMPLOYEES)



STAFFING

	2020	2019
Internal FTEs (year-end)	3,171	2,991
External FTEs (year-end)	648	657
Inflow	15.1%	17.8%
Outflow (employee turnover)	8.8%	16.6%

DILEMMA

Unequal male/female ratio in higher positions

At de Volksbank, men and women who perform the same work receive equal pay in equal situations. It is perfectly normal for us to pay men and women equal salaries, as our study of pay gaps shows (see elsewhere in this chapter). We do not grant any variable remuneration and apply fixed pay grades. Furthermore, employees are assigned to a pay grade in the job classification system based on a transparent classification procedure. Nevertheless, women are underrepresented in higher positions. That is why we are facing a challenge in this area, which is to arrive at a better distribution of women across the job levels. We intend to achieve this by structuring our succession planning and our recruitment and selection process such that we strike a sound balance between men and women in management positions in particular. Although this process is not progressing as fast as we would like, we deliberately do not opt to pursue an affirmative action policy in favour of women. This is because we aim for diversity in a broad sense; this includes not only gender but also, for instance, age, background and personality.

all aspects in which people can differ from each other, such as personality, gender, age, sexual orientation, multicultural background, education and (professional) experience, nationality, vitality. Diversity in all its facets is our aim and is part of de Volksbank's strategy and HR policy.

Our goal is to achieve a diversely composed workforce in a broad sense. In the inflow and progression of employees, we seek to strike a balance when it comes to factors such as gender, age, cultural background, personality and motives. We regularly consider the importance of recognising and appreciating the differences between people, for example during the Pride and on Diversity Day. Through our employee survey we also monitor to what extent employees experience an open, people-oriented and inclusive working environment. Overall, the results are positive.

In further developing an inclusive and people-oriented leadership style, we pay attention to

We regularly consider the importance of recognising and appreciating the differences between people, for example during the Pride and on Diversity Day

unconscious bias, equal opportunities and inclusive management of a diverse team. We take action against unequal treatment, discrimination, sexual harassment, aggression, violence and bullying. We do so using internal committees and confidants and by actively communicating about our rules of conduct on a regular basis.

In 2020 we signed the United Nations Standards of Conduct for Tackling Discrimination against LGBTI people. With this set of five standards of conduct, the business community aims to make an active contribution to combating discrimination against lesbian women, gay men and bisexual, transgender and intersex people (LGBTI). By signing these standards we want to send a clear message that everyone who works at de Volksbank can feel at home here.

The Fair Bank Guide (*Eerlijke Bankwijzer*) examined the actions taken against gender inequality in 2020. De Volksbank had the highest scores of all the banks examined. The Fair Bank Guide was positive about our study of the wage differences between male and female employees. Although our score was satisfactory, there is still room for improvement. For instance, the Fair Bank Guide mentioned the underrepresentation of women in higher positions as an aspect that could be improved. In fact, this was also the conclusion reached in our own study of wage differences between men and women, which was repeated in 2020. The wage difference was 16% (2019: 16.6%), adjusted for the job grade, 0.3% (2019: 0.5%) and also corrected for age 0.2% (2019: 0.2%).

We set goals to increase the number of women in higher positions. In 2025, the percentage of women in management positions must be at least 40%, and for the Board of Directors this must be 40%. In order to arrive at a higher number of women in management positions, we aim for a sound male/female ratio in our succession planning and in our recruitment and selection process.

Staffing

In 2020, the outflow of employees was lower than in previous years. When the strategic plan – running from 2016 to 2020, inclusive – was introduced, the number of jobs was expected to drop by 800 to 900, approximately half of which would involve internal FTEs. The number of internal FTEs did indeed drop in this period, but less than anticipated. This was partly due to the additional work created as a result of laws and regulations, including in the area of transaction monitoring.

In 2025, the percentage of women in management positions must be at least 40%, and for the Board of Directors this must be 40%

Responsible remuneration policy **MT12**

The remuneration policy of de Volksbank is based on our manifesto, our shared value principle, our profile of a social bank and our moderate risk profile. This means, for example, that:

- we aim to create shared value for all stakeholders: customers, society, employees and the shareholder;
- the highest earner does not earn more than ten times the average salary within the bank; in practice, this is seven times the average salary;
- the remuneration of the Board of Directors and the compensation of the Supervisory Board are lower than the median of comparable positions in the general market (comparable financial and non-financial organisations in the Netherlands);
- the collective agreement is applicable to 99% of the employees; top management does not come under the collective agreement (available on [our website](#) (Dutch only));
- de Volksbank does not grant any variable remuneration.

3.4 Returns for the shareholder **MT7**

De Volksbank aims to be a financially healthy and stable bank with low-risk activities.

KPI	Target for 2020	Achieved in 2020	2019
Adjusted return on equity	8.0%	6.1%	7.7%
Dividend Payout ratio	40-60%	50%*	60%

* Proposed 2020 dividend. The proposed dividend will be distributed when the ECB recommendation on dividend payments permits

For the return on equity (RoE) adjusted for incidental items, we pursue a target of 8%. For 2020 (see [3.6 Financial results](#)), the adjusted return fell short on the target at 6.1%, and was also lower than the figure of 7.7% achieved in 2019. This decrease was driven by a lower net profit combined with higher average shareholders' equity.

We intend to pay out a dividend of € 104 million on the 2020 profit, corresponding to a pay-out ratio of 50% of the adjusted net profit, within the intended target of 40-60%. The dividend proposed for 2020 will be distributed when the ECB recommendation not to pay any dividend ceases to apply.

3.5 Other targets

KPI	Target for 2020	Achieved in 2020	2019
Adjusted cost/income ratio	50-52%	60.3%	57.3%
CET1 capital ratio	≥ 19.0%	31.2%	32.6%
Leverage ratio	> 4.75%	5.2%	5.1%

The cost/income ratio expresses the ratio between total operating costs, without regulatory levies, and total income. Adjusted for aforementioned incidental items, the cost/income ratio increased from 57.3% in 2019 to 60.3%. This means that, as in previous years, it exceeded the target range of 50% to 52%. The deterioration of the adjusted cost/income ratio was mainly due to the increase in operating expenses in 2020 (see Chapter 3.6 Financial results).

Capital

Our capital position remained consistently strong in 2020: the CET1 capital ratio was 31.2%, compared with 32.6% at the end of 2019. The decrease was caused entirely by an increase in risk-weighted assets. Based on the balance sheet as at 31 December 2020, we expect the CET1 capital ratio to decrease by approximately 7 percentage points upon the full phase-in of Basel IV rules. This means that even after full phase-in, the CET1 capital ratio will be well above our minimum target of 19%.

The leverage ratio rose slightly to 5.2%, mainly due to the increase in CET1 capital, thereby exceeding the minimum target of 4.75%.

3.6 Financial results

Financial results (in € millions)	2020	2019	Δ
Total income	923	929	-1%
Total operating expenses	652	574	+14%
Impairment charges of financial assets	38	-7	--
Total expenses	690	567	22%
Result before taxation	233	362	-36%
Taxation	59	87	-32%
Net result	174	275	-37%
Incidental items	-34	--	--
Adjusted net result	208	275	-24%
Return on Equity	5.1%	7.7%	
Adjusted Return on Equity	6.1%	7.7%	

Given the exceptional economic situation and the sustained low interest rate environment, we are satisfied with the results achieved in 2020 and with our consistently strong capital position.

Net profit dropped by € 101 million to € 174 million in 2020 (-37%). Of this drop, € 34 million was attributable to a restructuring provision for the transformation to an Agile organisational structure and way of

working. As stated in '2.8 New strategy', this transformation is part of our new strategy for the period 2021-2025. The restructuring provision amounted to € 45 million, is accounted for as an incidental item and had a net impact (after tax) of € 34 million. Net profit, adjusted for this incidental item, decreased by € 67 million to € 208 million (-24%).

Total income showed a very limited decrease of 1% in 2020. Interest income fell by 3% to € 850 million, with lower income from mortgages partially being offset by higher fees received from early repayments and lower interest charges associated with savings. Adjusted for a classification change, net fee and commission income showed a slight increase, mainly driven by higher commissions received for mortgage advice and insurance. Other income was sharply higher due to higher bond sales results and treasury results.

Operating expenses increased by 14%, driven in particular by the above-mentioned restructuring provision and by higher regulatory levies. Especially the contribution to the Deposit Guarantee Scheme increased as a result of the growth in covered deposits. Adjusted for the restructuring provision and regulatory levies, operating expenses rose by 5%. This was partly due to wage inflation and an increase in the number of internal employees. In addition, consultancy and IT costs were also higher.

Impairments showed a turnaround in 2020. In 2020, impairments amounted to € 38 million, as against a reversal of € 7 million in 2019. The addition was due

to more prudent macroeconomic scenarios that we are now using in our credit loss provisioning model. The provisioning model was also further tightened in 2020 and we applied a so-called 'expert overlay' in connection with the high degree of uncertainty surrounding the Covid-19 pandemic. The addition to credit loss provisions concerned both residential mortgages and SME loans.

Residential mortgages fell by € 0.4 billion to € 47.8 billion in 2020. New mortgage production showed an increase to € 5.9 billion, compared with € 5.5 billion in 2019 (+7%). However, high prepayments exceeded the new mortgage production.

In 2020, the mortgage market grew by 25%. This increase was mainly driven by a higher mortgage refinancing market, which grew by approximately 50%. As growth in new mortgage production lagged behind, the market share of new mortgages fell to 5.0%, compared with 6.1% in 2019.

The savings held by our brands increased by € 3.7 billion to € 42.1 billion. As a result, our market share grew by 0.2 percentage points to 10.8%.

The number of current account customers continued to grow in the past year. In 2020, SNS, ASN Bank and RegioBank combined welcomed 156,000 new customers. Setting this off against customers who left the bank, the total number of customers rose

by 89,000 (2019: 80,000). The market share of new current accounts decreased to 19% (2019: 21%) but remained high and also remained significantly above our market share at portfolio level of around 9%¹.

3.7 Outlook

We expect net profit to be lower in 2021 than in 2020.

Net interest income is expected to be lower in 2021 than in 2020, mainly due to lower interest income on mortgages in the persistently low interest rate environment.

Other income, particularly consisting of treasury results and income from the sale of fixed income investments, is expected to fall below the exceptionally high level in 2020.

Operating expenses, excluding the one-off restructuring charge in 2020, are expected to be higher in 2021, mainly driven by expenditure related to our new strategy. Regulatory levies are also expected to be higher as a result of a higher contribution to the Deposit Guarantee Scheme.

Given our low risk profile, we expect impairments on loans and advances to be lower for 2021 than in 2020, but there is a high degree of uncertainty around economic developments in the Netherlands and the financial resilience of customers whose incomes have been affected by the crisis and the impact this has on our credit loss provisions.

Options for the future

On November 9, 2020 the Minister of Finance informed the House of Representatives by letter about the progress of the study announced in 2019 into the privatisation options for de Volksbank. The exploration of the various options will also look at the possibilities of safeguarding the social character of the bank.

The letter noted that the aim was to complete the exploration as soon as possible but that this was no longer expected before the end of 2020. This was due to unforeseen circumstances at the bank and work associated with the Covid-19 crisis.

On February 12, 2021 de Volksbank shared its strategic plan 2021-2025 with the outside world. Taking this plan into account, NLF will prepare a new progress report assessing the readiness of de Volksbank for a decision on its future. Subsequently, the Minister will inform the House of NLF's findings and share the report.

¹ Based on market share all existing current accounts as of 1 January 2020: ipsos market research.

3.8 Responsible financial and risk management MT7

Risk management

Just like all other activities of de Volksbank, our risk management is equally based on our mission of 'banking with a human touch' and the shared value principle. We distinguish between risks that provide opportunities and risks that should be avoided, and determine our risk appetite on this basis.

Risk profile

De Volksbank is a bank that focuses primarily on Dutch retail customers. De Volksbank's balance sheet is primarily made up of residential mortgages (year-end 2020: 71% of the balance sheet total) and funds that customers have entrusted to us (year-end 2020: 80% of the balance sheet total). We accept the risk profile that matches a business model of low-risk activities and limited product and geographical diversification. We form appropriate provisions for any credit losses we may reasonably expect. We also maintain an ample capital position to absorb unexpected losses.

Strategic, financial and non-financial risks

In our risk management we distinguish between strategic risks (risks related to the strategy and the bank's business model), financial risks (mainly consisting of credit risk, but also including market risk, interest rate risk and liquidity risk) and non-financial risks (operational risk, compliance risk, legal risk, model risk, and reporting and data management risk). Each of these risks is monitored and we take-

measures to mitigate these risks where necessary and to the extent possible.

The year 2020 was largely dominated by the Covid-19 pandemic. The pandemic obviously poses a risk to de Volksbank. The risk of rising unemployment, a contracting economy and dropping house prices means that the pandemic may reduce the credit quality of our residential mortgages. This has already triggered higher credit loss provisions.

In 2020, we also saw market rates remain at historically low levels and the pressure on our net interest margin and profitability continue. Furthermore, the bank operates in an environment that is changing at an increasingly rapid pace due to new technologies and the entry of new competitors. Our new strategic plan is our response to these developments, which will help us mitigate the risks.

Our strategic plan also addresses the risk arising from internal developments. By starting the transformation to an agile organisation and investing in

our IT platform, we aim to prevent a situation with insufficiently agile and available data and IT systems.

The threat of cybercrime increased in 2020, which is reflected, for instance, in a strong rise in phishing attacks since the Covid-19 outbreak. The levels of malware and other vulnerabilities were also higher. Taking into account the ECB recommendations, we will further strengthen our control framework to counter the threat of cybercrime.

Risk governance

Our risk management governance is structured according to the three lines of defence model. In this model, the first line of defence – the business – is responsible for setting up and executing its own processes. This is where the risks are identified, assessed, reported and measured against the risk appetite that has been determined. The second line supports the business, sets the frameworks, gives advice and monitors whether the business actually takes its responsibility. The second line also continuously monitors whether de Volksbank complies with laws and regulations as well as its internal policies on integrity. The third line – the audit function – independently assesses the first and second lines' performance.

Risk culture

Culture is a decisive factor in risk management and risk awareness. We want the entire organisation to propagate our risk culture. The Board of Directors and employees are aware of their role, of their serving as an example and of their responsibilities.

So far, the Covid-19 pandemic has not substantially affected the credit quality of de Volksbank's loans and advances

De Volksbank's Board of Directors approves the risk policy. The presence of members of the Board of Directors in all of the bank's risk committees testifies to their commitment to risk management. A complete description of the various risks and how we deal with them is included in Chapter 3 of the 2020 Annual Report.

Credit risk

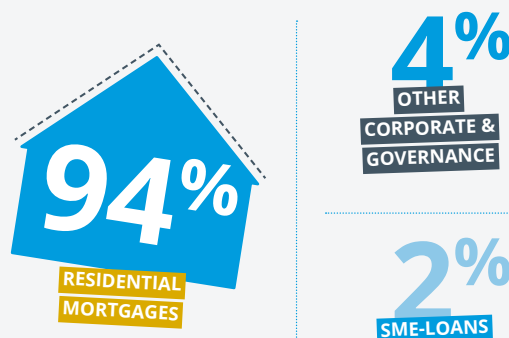
Credit risk poses by far the greatest risk of all financial risks. We define credit risk as the risk of a customer being unable to meet the contractual obligations arising from the loan agreement, resulting in a potential financial loss for the bank. Residential mortgages make up the largest part of our loans.

Developments in 2020

So far, the Covid-19 pandemic has not substantially affected the credit quality of de Volksbank's loans and advances. Nevertheless, by increasing the credit loss provisions we took measures in response to the uncertainty about the duration of the pandemic and the economic consequences that the bank may face in the near future.

Stage 3 loans expressed as a percentage of total loans rose only slightly from 1.3% to 1.4%. The strong rise in house prices translated into a decline in the stage 3 coverage ratio (provision for stage 3 loans as a percentage of total stage 3 loans) from 12.9% to 11.4%.

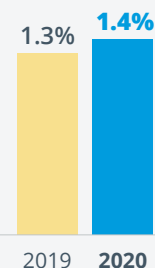
LOANS AND ADVANCES TO CUSTOMERS



The higher house prices also caused a further drop in the average loan-to-value of our mortgages from 67% in 2019 to 61%.

Retail mortgages in arrears rose from € 484 million to € 552 million. This is exclusive of customers with whom we have agreed payment arrangements as a result of Covid-19.

Stage 3 loans expressed as a % of the total loans and advances



Average Loan-to-Value of retail mortgages



CREDIT RISK INDICATORS

Total loans and advances to customers	2020	2019
Stage 3 (in € m)	678	645
Stage 3 ratio	1.4%	1.3%
Stage 3 coverage ratio	11.4%	12.9%

Residential mortgages

Stage 3 (in € m)	543	540
Stage 3 ratio	1.2%	1.1%
Stage 3 coverage ratio	6.4%	8.0%
In arrears	1.2%	1.0%
NHG guaranteed	29%	29%
Weighted average indexed LtV	61%	67%



Read the interview with Wim van den Goorbergh, NLFI Board Member, on page 61



4. Governance & leadership

JAN VAN RUTTE:

'The year 2020 was
a turbulent year in
many ways'



In this chapter, you will read about the structure of our governance and how we aim to achieve our mission and ambition.

4.1 Looking back and ahead with the Chairman of the Supervisory Board

The Covid-19 pandemic has a major impact on society, and its consequences weigh down heavily on public health and the economy. Covid-19 has also hit the financial sector in various ways in the past year. The search for solutions together with customers gave banks the opportunity to show how the sector can be relevant in times that are financially and emotionally tough. The implementation of appropriate measures in the SNS shops and the RegioBank offices ensured that personal advice could still be provided to customers, and temporary payment holidays and credit facilities were granted. The 2020 Banking Confidence Monitor reveals that trust in the banking sector has never been as high as it was in the third quarter of 2020.

The pandemic also had – and still has – a major impact on de Volksbank's employees. The vast majority of employees switched to working from home as soon as the pandemic set in, and they still do so. The Supervisory Board supervised the

continuity of crucial services to customers of de Volksbank's brands, the implementation of appropriate Covid-19 measures for all employees, and the timely and correct response to Covid-19-related information requests from supervisory authorities.

Despite the macroeconomic developments, de Volksbank achieved robust scores on its shared value ambitions for customers, society, employees and the shareholder in 2020 and posted a profit that is by all means acceptable. The profit includes a restructuring provision for the introduction of a new, flexible way of working as part of the implementation of the new strategic plan for 2021-2025. The Supervisory Board was closely involved in the creation of the new strategic plan 2021-2025. The challenges associated with the business model, combined with the persistently low interest rate environment, are expected to be tackled as the new strategic plan is implemented. The plan contains concrete growth priorities for SNS, ASN Bank, RegioBank and BLG Wonen. Expansion by means of excellent services to SME business owners is another important part of the plan. In order to implement the strategy, the bank has initiated a number of change processes. One of them is the transition to a simpler, more customer-focused and more flexible organisation. The Supervisory Board closely monitors the implementation of this new strategy within the parameters of responsible financial and risk management and considering the interests of employees. NLFI consented to the plans in early 2021. It will address the new strategic plan in its progress report to the Minister of Finance. In parallel with this, de Volksbank has made good

headway with its 'House in Order', the collective term for all projects contributing to controlled business operations. The Supervisory Board focused specifically on the progress made on the data structure and data recording, the model landscape, internal and external reporting, and IT platform stability. The Supervisory Board paid particular attention to the progress made on customer integrity; this topic is regularly discussed by the Board of Directors and by the Supervisory Board.

The Supervisory Board applauded the foundation of Transaction Monitoring Netherlands (TMNL) on 8 July 2020. This partnership between ABN AMRO, ING, Rabobank, Triodos Bank and de Volksbank is a major step towards improved detection of financial crime and terrorist financing.

In 2020, the Supervisory Board also addressed cyber risks and the measures taken to mitigate them. Just like many other banks, de Volksbank was confronted with an increase in the number of DDoS attacks, phishing, WhatsApp fraud and spoofing. In addition to preventive measures, the timely detection of and a timely response to cyber threats and incidents take centre stage in the bank's approach.

The Supervisory Board is pleased to observe that de Volksbank is well on its way to reaching its target of being 100% climate neutral by 2030. In the context of sustainable finance, de Volksbank received the award for 'green bond of the year by a bank' in 2020. ASN Bank carried out several activities on the PCAF

(climate), PBAF (biodiversity) and PLWF (a living wage/human rights) platforms that solidified its role as a driver of sustainability.

The employee surveys conducted in 2020 revealed that trust among employees had grown. Employees indicated that they identified with de Volksbank's mission, that they could be themselves at de Volksbank, that their work was sufficiently varied, and that there were various opportunities for development and favourable terms of employment. Media coverage of the Board dynamics slightly diminished their pride in the company. A number of employees also indicated that they would not recommend de Volksbank as an employer, or would only mildly recommend it, because of uncertainty about the consequences that the strategy and future will have for staff. The Supervisory Board is convinced that the strategic plan presented on 12 February 2021, 'From promise to impact', will change this and will reinforce the trust that employees have in de Volksbank and its future.

In 2020, the Board of Directors experienced differences of opinion. Following a careful consideration by the Supervisory Board and consultation of the shareholder and external supervisory authorities, this resulted in the departure of two members of the Board of Directors for a variety of reasons. In response to the situation that had arisen, it was decided, in consultation with NLFI, that an independent survey would be commenced of the Board dynamics at the bank. The survey report was issued in February 2021. One of the researchers'

findings was that the dynamics on the Board of Directors and the interaction between the Board of Directors and the Supervisory Board were not perfect in the period under survey. Meanwhile, measures have been taken that contribute to a restoration of positive dynamics.

On 15 August 2020 Maurice Oostendorp stepped down as Chairman of the Board of Directors. He had held this position since 30 September 2015. The Supervisory Board expressed its gratitude, be it in the presence of just a limited number of colleagues because of Covid-19. Maurice Oostendorp has made a valuable contribution to shaping the bank's mission and to its development.

Martijn Gribnau joined the Board of Directors on 17 June 2020 and was appointed Chairman of the Board of Directors with effect from 15 August 2020. Martijn has made collaboration on the Board of Directors a key focus area. Furthermore, in the autumn of 2020 the new strategy translated into proposals for changing the senior management structure. The Supervisory Board has now started recruiting a new CFO. It owes special thanks to Marcel Klopper, Director of Balance Sheet Management, who has carried out a large number of the CFO's duties since 5 September 2020.

The involvement of and collaboration with the Works Council were intensified in 2020. A Works Council delegation made up a confidential committee that frequently held discussions with the Supervisory Board as from the summer of 2020 to speak about

the measures and about how tranquillity and unity could be restored in senior management. The Supervisory Board is very grateful to the Works Council members, and to the members of the confidential committee in particular, for their critical contribution, the trust they have shown, and the major effort they have made.

The Supervisory Board operated in its current composition throughout 2020. With external support, the Supervisory Board obviously also explicitly reflected on its own performance, paying particular attention to the cooperation between the Board of Directors and the Supervisory Board.

The Supervisory Board would like to express its appreciation for the tremendous dedication and commitment of the employees of de Volksbank in the very turbulent year behind us.

De Volksbank is at the brink of a new phase in its development. The solid financial position and strong social mission are a sound basis for the recently presented strategy for the period 2021-2025. A strategy that has the full support of the Supervisory Board.

Now the bank is moving into the next phase, with a new Chairman of the Board of Directors and a new senior management structure, it is logical that the Supervisory Board also gets a new Chairman. Therefore, this is a natural moment for me to hand over the reins soon. I look back on my time at de Volksbank with great pleasure. I would like to thank

everyone for their support over the years and in the past year in particular. I wish de Volksbank and its employees much prosperity and above all a sustainable future!

On behalf of the Supervisory Board
of de Volksbank,

Jan van Rutte
Chairman

Wim van den Goorbergh
NLFI Board Member

Stakeholder
interview

Introduction
and contents

1. The world
around us

2. Banking with
a human touch

3. Our
results

4. **Governance
& leadership**

5. Annex

'Excellent services to customers: that's what it's all about!'

Wim van den Goorbergh is a board member of NLFI, the not-for-profit organisation that manages the government's stake in de Volksbank on behalf of the State. He believes that healthy returns and a social profile such as de Volksbank's go well together.

"The main lesson that Dutch banks have learned from the banking crisis is that they must put customers' interests first again. This is their own conviction, but it's also encouraged by a huge amount of regulation. The result is that they have fully recognised and embraced their role in society – properly carrying out their general utility functions of payments, savings and lending – again. Every single day, they're making every effort to prove this when providing their services.

Do healthy returns and a role in society go together? They do, absolutely. Each bank chooses its own profile for the role it wants to fulfil in society, based on its own strengths and roots. This is perfectly compatible with the goal to achieve

healthy returns. De Volksbank, for instance, fulfils its role in society based on its mission 'banking with a human touch'. This Annual Review contains numerous examples of how it puts this mission into practice. What is most important is that the bank provides excellent services to customers, now and in the future, with an attractive and competitive range of financial products.

It's not the social profile that de Volksbank has chosen that puts pressure on its returns, but economic and other conditions. Such as the low interest rates, for example, fierce competition from non-banking financial services providers and the still increasing number of regulations. And we shouldn't forget the challenges found in IT. The revised strategy entitled 'Better for each other - From promise to impact' responds to these developments and to the growing customer demand for digitisation and closer contact. I hope and expect that the motto and the corresponding strategy will appeal to and inspire all of de Volksbank's employees."

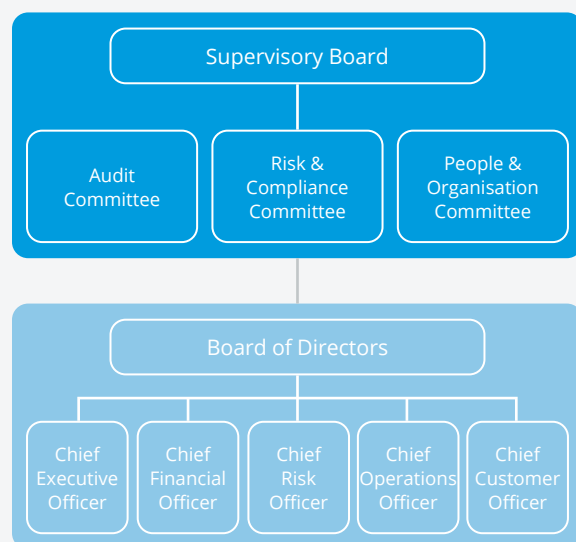
4.2 Governance overview

Organisational chart

De Volksbank has a two-tier system, which means that the bank is managed by a Board of Directors and a Supervisory Board.

Although NLFi owns de Volksbank's shares and we are not listed, we voluntarily apply the Dutch Corporate Governance Code and observe the Banking Code introduced by the Dutch Banking Association (*Nederlandse Vereniging van Banken*; NVB) in 2015. More information about how we apply the two Codes is available on [our website](#).

ORGANISATIONAL CHART DE VOLKSBANK



Approach towards achieving our shared value ambition and objectives

Our ambition to create shared value is largely underpinned by international guidelines. For instance, we signed the ten principles of the UN Global Compact and apply the International Labour Organization (ILO) and OECD standards. Our policy on specific topics such as climate, human rights and biodiversity is equally based on international guidelines, research and agreements, such as the Paris Agreement. We also participate in knowledge networks and actively engage in dialogue with our partners, NGOs and society with the aim of sharing our knowledge and ideas and learning from other companies and partners. Moreover, we have committed ourselves to several social initiatives seeking to make the financial sector more sustainable, including the Principles of Responsible Banking. A complete overview is included in the ESG Report, which is available on [our website](#).

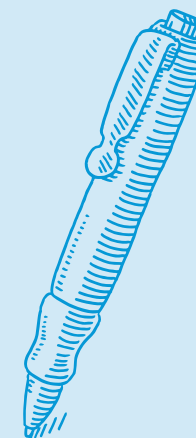
De Volksbank's Board of Directors is responsible for achieving our shared value ambition and for creating value in the long term. The degree in which the Board of Directors succeeds in doing so forms the basis for its performance review. As de Volksbank does not apply variable remuneration, the performance review does not affect the remuneration. The Supervisory Board advises the Board of Directors and assesses whether our social strategic objectives have been achieved in practice.

In 2020 we set up the Social Impact Committee (SIC) to replace the Climate Committee. Enjoying a broad mandate, the SIC develops, implements and monitors

PRINCIPLES FOR RESPONSIBLE BANKING

We signed the Principles for Responsible Banking (PRB) in 2019. The PRB is an international and broad-based initiative to increase the sustainability of the banking sector, amongst others in line with the Paris Agreement and the Sustainable Development Goals. It is our intention to implement the six principles within a period of four years. They include an analysis of our negative and positive impact on society and the environment, the formulation of ambitious targets and indicators aligning with the interests of relevant stakeholders and supported by our bank's management and employees. We took several important steps in 2020: our main impacts – on the climate, for instance – are clear and we defined targets and key performance indicators, such as our aim to have a climate-neutral balance sheet in 2030.

On 22 March 2021, we will publish our first progress report containing more information about our approach and action plans. Visit [our website](#) for the update.



our policies on themes such as financial resilience and quality of life in addition to our sustainability policy. The SIC also assesses and advises on Sustainability Risk and on internal and external reporting on social issues, including this annual review. The SIC is chaired by one of the members of the Board of Directors.

The estimated impact on our four stakeholder groups is recorded in all meetings of the Board of Directors and the SIC to ensure that the impact on natural, human and social capital is included in the decision-making. Furthermore, our policies and activities are evaluated every month based on the shared value KPIs and changed where necessary.

Remuneration policy MT12

In the remuneration policy and the actual remuneration, we take account of our four stakeholder groups: our customers, society, our employees and the shareholder. The compensation of the Chairman of the Board of Directors is in reasonable proportion to the salaries of the employees. We do not consider variable pay to be in keeping with the social character of our bank. For that reason, we do not apply any remuneration incentives that might give priority to short-term individual interests over long-term collective objectives. The Board of Directors also receives a fixed remuneration only.

More information about our remuneration policy can be found in the 2020 Annual Report and on [our website](#).

4.3 Board of Directors & Supervisory Board

Board of Directors

Name	Appointed until
Martijn Gribnau, CEO	General Meeting 2024
Jeroen Dijst, CRO	General Meeting 2024
Marinka van der Meer, CCO	General Meeting 2022
Vacancy – CFO	-

Composition and appointment of the Board of Directors

The Board of Directors consists of two or more members and is composed in such a way that it has sufficient expertise to properly perform its duties. The Supervisory Board draws up a generic profile in consultation with the Board of Directors. This profile specifies the required knowledge, suitability, expertise, integrity and availability of the (members of) the Board. The profile also sets out relevant aspects of diversity, such as nationality, age, gender, education and professional experience. Our diversity and inclusivity policy essentially focuses on recognising and appreciating people, both customers and employees, and the differences between them. The generic profile for the Board of Directors has been approved by NLFi and is published on our website. NLFi appoints, suspends and dismisses members of the Board of Directors. The Supervisory Board must approve any decision to appoint,

suspend or dismiss a member of the Board of Directors in advance.

Martijn Gribnau joined the Board of Directors on 17 June 2020 and succeeded Maurice Oostendorp as CEO on 15 August 2020. Maurice Oostendorp resigned from the Board on 1 September 2020 and left de Volksbank on that date. On 19 March 2020, Pieter Veuger joined de Volksbank's Board of Directors as CFO. He left the bank on 5 September 2020. Martijn Gribnau has held the role of acting CFO since that date. Mirjam Verhoeven (COO) left de Volksbank on 12 November 2020 in good consultation. Martijn Gribnau has held the role of acting COO since that date. On 31 December 2020, the Board of Directors consisted of Martijn Gribnau (CEO, acting CFO and acting COO), Jeroen Dijst (CRO) and Marinka van der Meer (CCO).

Independent survey into Board dynamics

Partly in response to the departure of the CFO, an independent examination was commenced into the dynamics within the Board of Directors and the interaction between the Board of Directors and the Supervisory Board at de Volksbank.

The researchers conclude that the Board of Directors and the Supervisory Board did not function in the best possible way in the recent past and that the relationship between the two bodies was not always a healthy one. The researchers have found no indications of persistent intimidating behaviour or bullying, but they have found indications of occasional intimidating behaviour or bullying within

the work organisation and at the level of the Board of Directors, creating an unsafe working environment for some people. De Volksbank's Board of Directors and Supervisory Board regret that an unsafe working environment existed for some people.

De Volksbank's Board of Directors and Supervisory Board consider it a critical report. A range of factors are to blame for the wrong dynamics. The Supervisory Board concludes that the measures the Supervisory Board introduced in the second half of 2020 together with the Board of Directors are in line with the researchers' findings. These measures include changing the composition of the Board of Directors and streamlining the bank's senior management structure. The aim of streamlining the senior management structure is to create a clear

division of duties and clear reporting lines that will prevent friction in mutual collaboration. Furthermore, the collaboration within the Board of Directors and between the Board of Directors and the Supervisory Board is evaluated regularly and the researchers' suggestion that the onboarding process for new directors should be executed more carefully and should last a longer period of time will be adopted.

Functioning of the Board of Directors

The Articles of Association of de Volksbank contain a description of the main duties and rules for the functioning of the Board of Directors. In addition, additional practical agreements exist on the way in which the Board should exercise its duties and powers. These are set out in both the Regulations for the Board of Directors and the Memorandum

of Understanding (MoU) agreed by NLFI and de Volksbank. In order to fulfil our mission and ambition, the Board continuously and explicitly weighs up the interests of the four stakeholder groups (customers, employees, society, shareholder). In principle, the Board meets every week and takes decisions by a majority of the votes cast.

Supervisory Board

Composition and appointment of the Supervisory Board

The Supervisory Board consists of at least three members who jointly have sufficient expertise to properly perform the duties. The Supervisory Board draws up a generic profile specifying the required knowledge, suitability, expertise, integrity and availability of the Supervisory Board and its



Martijn Gribnau



Marinka van der Meer



Jeroen Dijst

members. In addition, the profile sets out the relevant aspects of diversity. De Volksbank's diversity and inclusivity policy also applies to the Supervisory Board. The generic profile for the Supervisory Board has been approved by NLFI and is published on our website. NLFI appoints, suspends and dismisses members of the Supervisory Board on the recommendation of the Supervisory Board. NLFI also plays a special role in the appointment of the Chair. One-third of the Supervisory Board members are appointed under the Works Council's enhanced right of recommendation. The composition of the Supervisory Board did not change in 2020. On 31 December 2020, the Supervisory Board consisted of Jan van Rutte (Chair), Monika Milz (Vice Chair), Sonja Barendregt-Roojers, Aloys Kregting and Jos van Lange.

Name	Appointed until
Jan van Rutte, Chair	General Meeting 2022¹
Monika Milz, Vice Chair	General Meeting 2021²
Aloys Kregting	General Meeting 2022³
Jos van Lange	General Meeting 2022³
Sonja Barendregt-Roojers	General Meeting 2021⁴

1. Jan van Rutte is scheduled to retire on 19 April 2022. If a GMS is held in 2022, Jan van Rutte will retire on the date of that GMS.
2. If the GMS in which the 2020 financial statements of de Volksbank are adopted takes place before or after 20 April 2021, Monika Milz's term of office will expire on that earlier or later date. See de Volksbank's website for an example.
3. Jos van Lange and Aloys Kregting will both retire at the first GMS in 2022 at the latest.
4. If the GMS in which the 2020 financial statements of de Volksbank are adopted takes place before 1 September 2021, the term of office of Sonja Barendregt-Roojers will expire on that earlier date.

Functioning of the Supervisory Board

In performing its duties, the Supervisory Board continuously weighs up the interests of all stakeholders to reflect the mission and shared value ambition as much as possible. The Supervisory Board members operate independently within the meaning of the Dutch Corporate Governance Code and in accordance with DNB's position on a Supervisory Board's independent functioning. De Volksbank's Articles list the main duties and the rules governing the functioning of the Supervisory Board. In addition, additional agreements exist on the way in which the Supervisory Board should exercise its duties and powers. These are set out in both the Regulations for the Supervisory Board and the Memorandum of Understanding (MoU) agreed with NLFI. The Supervisory Board meets at least six times a year and takes decisions by a majority of votes.



Jos van Lange



Sonja Barendregt-Roojers



Jan van Rutte



Monika Milz

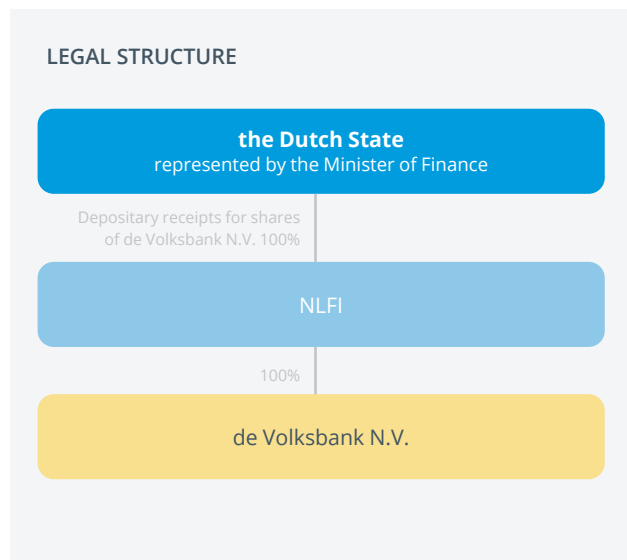


Aloys Kregting

4.4 Legal structure and shareholder

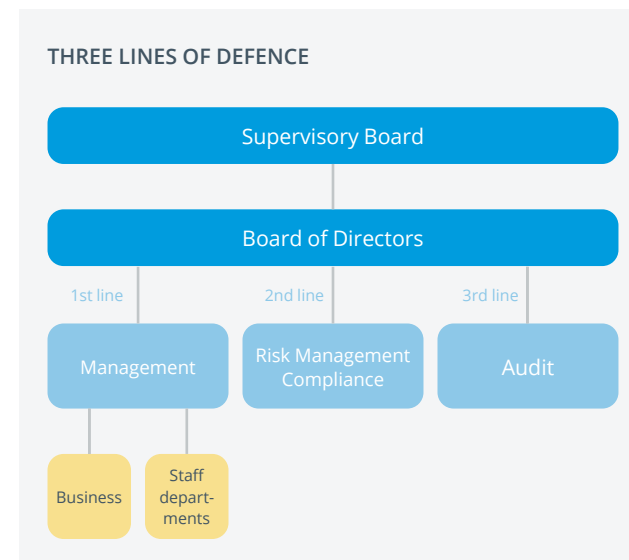
NLFI is a foundation established by the Minister of Finance and its statutory duty is to exercise the shareholder rights on behalf of the Dutch State in a number of financial institutions in a business-like, non-political manner and to separate the interests in a transparent manner. NLFI directly holds 100% of de Volksbank's share capital on behalf of the Dutch State.

The overview below is a simplified representation of all subsidiaries as at 31 December 2020. More information can be found in the Annual Report and on [our website](#).



4.5 Risk governance

The Board of Directors is ultimately responsible for risk management and acts as the umbrella 'bank risk committee' within the risk management organisation. It is supported by formal risk committees (please refer to the Definitions for a description), with representatives from the first line (management) and the second line (which supports and monitors the business) in each committee. The Supervisory Board is charged with the supervision of the Board of Directors and receives advice on this from the Audit Committee, the Risk & Compliance Committee and the People & Organisation Committee. More information can be found in the Annual Report.



**NLFI directly holds
100% of de Volksbank's
share capital on behalf
of the Dutch State**

4.6 Integrity and compliance

As a bank, we can only be successful if our stakeholders trust us. In everything we do, integrity is key to securing this trust. We have drafted the 'Common Sense, Clear Conscience' code of conduct, which is signed by all employees, and everyone at de Volksbank is required to complete a basic course on the Financial Supervision Act. As described in this Annual Review, as a bank we face difficult dilemmas from time to time. As the same holds true for individual employees, we introduced an e-learning course 'Dealing with dilemmas' to help them handle dilemmas correctly.

Within the context of the Know-Your-Customer principle, we use and check customer details to avoid misconduct. For example, we form an opinion on the tax attitude that corporate customers display, as de Volksbank does not want to invest in and/or provide

loans to companies involved in tax scandals. We set great store by clarifying to customers how we deal with personal data, giving them the confidence that their personal data are in good hands. In the Privacy Rules on [our website](#), we explain to customers what they may expect from us. For example, they may expect us to establish and check customers' identities under the Dutch Financial Supervision Act (*Wet op het financieel toezicht*; Wft) and to use protocols to prevent and combat fraud. We also screen our customers to prevent money laundering and terrorist financing in compliance with the Money Laundering and Terrorist Financing (Prevention) Act (*Wet ter voorkoming van witwassen en financieren van terrorisme*; Wwft).

Tackling corruption

Corruption creates unfair competition in commerce, disrupts public trust and compromises de Volks-

bank's integrity. We can only properly realise our shared value ambition if we – and our partners and customers – do not get involved in corruption. That is why we consider corruption prevention to be part of the material topic 'responsible financial and risk management'.

To prevent corruption, each and every sign is adequately addressed and followed up with an appropriate response. Our anti-corruption policy states the measures we take to prevent us or our customers from getting involved in corruption. These measures apply to policies including our customer acceptance policy, procurement policy, outsourcing policy and screening policy when recruiting new employees. More information can be found in our Annual Report. Several policy papers are also available on [our website](#).



**All employees signed
our code of conduct:
'Common Sense, Clear
Conscience'**

▶ Read the interview with Sam ten Brink, teacher at ROC Midden Nederland, on page 71

5. Annex



5.1 Our approach to reporting

Approach and principles

Our reporting is based on the principle of being as open, balanced and transparent as possible – in line with our mission of ‘banking with a human touch’. And yet there are some limits on our transparency. We cannot share confidential and privacy-sensitive information or information about our business operations or competitive position. Still, we hope to give a balanced picture by specifying and recognising our dilemmas, our points of improvement, and our negative impact.

Seeking to be transparent towards the largest possible group of stakeholders, we have made the Annual Report more accessible by adopting the ‘core & more’ approach, introduced in 2015 by [Accountancy Europe](#). The purpose of this Integrated Annual Review is to give a concise and at the same time comprehensive picture of our business model, our strategy and performance, and the external

context in which we operate. All financial data can be found in the 2020 Annual Report 2020 on [our website](#). Information on Pillar 3 (part of the CRR) is also published on [our website](#).

This report has been prepared in accordance with the GRI Standards: Core option’. This Integrated Annual Review is also inspired by the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). More information about the basis for non-financial reporting can be found in the [ESG Report](#). The GRI Content Index 2020 can also be found on [our website](#).

This Integrated Annual Review for 2020 was published on 11 March 2021 and is available on [our website](#) to browse or as a PDF download.

Scope and boundaries

We report on the calendar year 2020, running from 1 January up to and including 31 December 2020. To inform you of our role in society, we present both

financial and non-financial information in this Integrated Annual Review. Our role in society is reflected in our mission ‘banking with a human touch’, our strategy and our objectives.

The present Integrated Annual Review is about de Volksbank N.V. and all its business units and brands. We consistently refer to them as ‘de Volksbank’. Where possible and relevant, we also present prior-year figures and results. The contents of this report cover the material topics ensuing from the materiality determination. All thirteen of them are expressly mentioned, but not necessarily in separate paragraphs. The focus is on the eight most material topics. The ESG Report contains more information about the material topics and how they were identified. There, you will also find definitions and the measurement methods for the KPIs included in this Annual Review. The contents originate from internal and external sources. External sources are expressly stated.

**We report as open,
balanced, and transparent
as possible – in line with our
mission of ‘banking with a
human touch’**



Review and approval of the contents

This Annual Review has been compiled by a team of employees of Corporate Communications, Strategy, Integrated External Reporting, Investor Relations, Financial Markets, Marketing, Risk, and the Sustainability Expertise Centre. The Social Impact Committee has assessed the contents and progress. De Volksbank's Board of Directors and Supervisory Board have ultimately given their approval.

Chain responsibility

In this Integrated Annual Review we describe how we take our responsibility in our product chains. For instance, with our strict sustainability policy and by testing (business) customers in the context of preventing money laundering and fraud. In this Annual Review we are not complete, more examples and information can be found in the ESG Report.

Stakeholder input and dialogue

We included information from our internal and external stakeholders – customers, society, employees, and the shareholder – in the compilation of this Annual Review. In 2019, we conducted a materiality survey among these stakeholders to identify the main and most influential concerns. More information about the methodology underlying the materiality survey can be found in the ESG Report.

External assurance

EY has provided external assurance based on this Annual Review. EY's activities covered Chapter 2 and Chapters 3.1, 3.2 & 3.3. The assurance report of the

independent auditor is included in 5.3 of this report. We attach great value to the limited assurance we have requested for this Annual Review.

Disclaimer

Forward-looking statements reflect our convictions, plans and expectations at the time of publication. Words such as 'ambition', 'plans', 'intention' and 'expectation' are intended to clearly indicate such statements in our report. The information about the future is based on goals and informed estimates. Nevertheless, new insights and external factors may negate this information or lead to materially different outcomes. We do not intend to publicly update this information during the year. However, we may change and/or delete this forward-looking information in future publications, such as the interim results. In case of any disparities between versions of this report, the Dutch version shall prevail.

We highly value your opinion on this report and our business operations. That is why we invite you to ask questions, express complaints and share tips. This invitation applies not only to this Annual Review; our strategy is based on creating shared value for all our stakeholders. We need everyone's feedback for this. If you have any feedback, please let us know through verantwoord.ondernemen@devolksbank.nl. If it turns out that we need to change or rectify anything, we will examine how we can properly adjust our business operations.

Sam ten Brink
Teacher at ROC Midden Nederland

'What a bank does with my money really matters'

How do young people view housing, living and the role that banks play in this? Sam ten Brink (29) teaches residence permit holders aged 15 to 55, and is a teacher and student coach at ROC Midden Nederland in Nieuwegein.

"I want to be able to get advice from a bank at any time. I would also greatly appreciate it if advisers are not rewarded based on the money they bring in, but that there is complete transparency instead. Suppose that a student wants to enrol for 'my' Technology training programme while I think he's better off attending Care or Commerce. I would advise him to do the latter, even though it would not solve our own student shortage. I would be very satisfied if banks can also provide honest advice about the various options and frameworks.

For example, I currently believe I cannot afford to buy a home in the city of Utrecht. Prices are high, I have a temporary contract and I have to repay my student loan. I can also not turn to

my parents for financial support. I would feel better if I could discuss my options with a bank. What steps do I need to take to successfully obtain a mortgage later? The way I see it, banks could live up to their responsibility here.

I think the banking crisis prompted my slightly negative impression of banks. In the way we have structured it now, they are indispensable to society. At the same time, I feel that they are abusing this position, since the State will not allow them to collapse. I think it is disgraceful that some banks still seem to aim for maximum profits and that bankers are judged by their performance.

I also believe it really matters what a bank does with the money you entrust to them. It should be invested in a sustainable way. That's why I have decided to switch to ASN Bank. Banks have a responsibility to society, and to their customers and staff. Making a profit is good, but not at any cost. I think ASN best matches this conviction."

5.2 Consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Before result appropriation in € millions	31-12-2020	31-12-2019
ASSETS		
Cash and cash equivalents	4,672	2,026
Derivatives	864	718
Investments	5,113	5,350
Loans and advances to banks	5,990	3,791
Loans and advances to customers	50,542	50,461
Tangible and intangible assets	110	128
Tax assets	42	99
Other assets	151	268
Total assets	67,484	62,841
EQUITY AND LIABILITIES		
Savings	42,111	38,404
Other amounts due to customers	11,541	10,641
Amounts due to customers	53,652	49,045
Amounts due to banks	945	541
Debt certificates	6,119	6,906
Derivatives	2,163	1,841
Tax liabilities	17	15
Other liabilities	558	492
Provisions	80	64
Subordinated debts	500	502
Total other liabilities	10,382	10,361
Share capital	381	381
Other reserves	2,895	2,779
Net profit for the period	174	275
Shareholders' equity	3,450	3,435
Total equity and liabilities	67,484	62,841

CONSOLIDATED INCOME STATEMENT

in € millions	2020	2019
INCOME		
Interest income	1,148	1,263
Interest expense	298	388
Net interest income	850	875
Fee and commission income	121	118
Fee and commission expenses	75	67
Net fee and commission income	46	51
Investment income	17	12
Other result on financial instruments	9	-10
Other operating income	1	1
Total income	923	929
EXPENSES		
Staff costs	427	373
Depreciation and amortization of tangible and intangible assets	29	36
Other operating expenses	196	165
Impairment charges of financial assets	38	-7
Total expenses	690	567
Result before taxation	233	362
Taxation	59	87
Net result continued operations	174	275

5.3 Assurance report of the independent auditor

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

Our conclusion

We have reviewed the non-financial information in the accompanying integrated annual review for the year 2020 of de Volksbank N.V. at Utrecht. A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed nothing has come to our attention that causes us to believe that the non-financial information does not present, in all material respects, a reliable and adequate view of:

- The policy and business operations with regard to corporate social responsibility
- The thereto related events and achievements for the year 2020

in accordance with the reporting criteria as included in the section Reporting criteria.

The non-financial information consists of chapters '2 Banking with a human touch', '3.1 Benefits for customers', '3.2 Responsibility for society' and '3.3 Genuine attention for our employees' of the Integrated Annual Review.

Basis for our conclusion

We have performed our review of the non-financial information in accordance with Dutch law, including Dutch Standard 3810N, "Assurance-opdrachten inzake maatschappelijke verslagen" (Assurance engagements relating to sustainability reports), which is

a specific Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information". Our responsibilities under this standard are further described in the section Our responsibilities for the review of the non-financial information 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. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

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

Reporting criteria

The non-financial information needs to be read and understood together with the reporting criteria. De Volksbank N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting. The reporting criteria used for the preparation of the non-financial information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as disclosed in:

- Chapter '5.1 Our approach to reporting' of the Integrated Annual Review
- Chapter '6.4 Indicator definition and calculation' and '6.5 Calculation of CO₂ emissions – climate neutral balance sheet' of the Environmental, Social and Governance Report 2020 as disclosed on the website of de Volksbank N.V.
- The document 'De Volksbank Profit and Loss Methodology, version 2.0 of December 2016' as published on the website of de Volksbank N.V. (hereafter: 'methodology of the Climate-neutral Balance sheet')

The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Limitations to the scope of our review

The non-financial information includes prospective information such as ambitions, strategy, plans, expectations and estimates. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the non-financial information.

In section 'Sustainability policy: 3 pillars' of the chapter '3.2 Responsibility for society' the results of the Climate-neutral Balance sheet are presented. For the Climate-neutral Balance sheet calculations are mostly based on external sources. These external sources are disclosed in the methodology of the Climate-neutral Balance sheet. We have not performed procedures on the content of these external sources, other than evaluating the suitability and plausibility of these external sources used.

The references to external sources or websites in the non-financial information are not part of the non-financial information as reviewed by us. We therefore do not provide assurance on this information.

Responsibilities of the board of directors and the supervisory board for the non-financial information

The board of directors is responsible for the preparation of reliable and adequate non-financial information in accordance with the reporting

criteria as included in the section Reporting criteria, including the identification of stakeholders and the definition of material matters. The choices made by the board of directors regarding the scope of the non-financial information and the reporting policy are summarized in chapter '5.1 Our approach to reporting' of the integrated annual review. The board of directors is also responsible for such internal control as the board of directors determines is necessary to enable the preparation of the non-financial information that is free from material misstatement, whether due to fraud or errors.

The supervisory board is responsible for overseeing the reporting process of de Volksbank N.V.

Our responsibilities for the review of the non-financial information

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.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a review is therefore substantially less than the assurance obtained in an audit.

We apply the "Nadere voorschriften kwaliteits-systemen" (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional skepticism throughout the review performed by a multi-disciplinary team, in accordance with the Dutch assurance standards, ethical requirements and independence requirements.

Our review included amongst others:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the non-financial information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the board of directors
- Obtaining an understanding of the reporting processes for the non-financial information, including obtaining a general understanding of internal control relevant to our review
- Identifying areas of the non-financial information with a higher risk of misleading or unbalanced

information or material misstatements, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the non-financial information responsive to this risk analysis. These further review procedures consisted amongst others of:

- Interviewing management and relevant staff at brand level responsible for the sustainability strategy, policy and results
- Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the non-financial information;
- Obtaining assurance information that the non-financial information reconciles with underlying records of the company
- Evaluating whether the estimates made in the Climate-neutral balance sheet are reasonable, including the assumptions on which the estimates were based, which are included in the methodology of the Climate-neutral balance sheet
- Evaluating the suitability and plausibility of the external sources used in the calculations on which the Climate-neutral balance sheet is based, which are included in the methodology of the Climate-neutral balance sheet.
- Reviewing, on a limited test basis, relevant internal and external documentation
- Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level

- Reconciling the relevant financial information with the financial statements
- Evaluating the consistency of the non-financial information with the information in the integrated annual review which is not included in the scope of our review
- Evaluating the overall presentation, structure and content of the non-financial information
- Considering whether the non-financial information as a whole, including the disclosures, reflects the purpose of the reporting criteria used

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

Amsterdam, 10 March 2021

Ernst & Young Accountants LLP

Signed by R.J. Bleijs

5.4 Abbreviations

ABB	ASN Beleggingsinstellingen Beheer B.V.	HOP	House of Policies	PBL	PBL Netherlands Environmental Assessment Agency
AC	Audit Committee of de Volksbank's Supervisory Board	ICMA	International Capital Market Association	PCAF	Partnership Carbon Accounting Financials
AI	Artificial Intelligence	IIRC	International Integrated Reporting Council	PLWF	Platform Living Wage Financials
Bps	Basis points	ILO	International Labour Organization	PRB	Principles for Responsible Banking
BEPS	Base Erosion and Profit Shifting	ISS	Institutional Shareholder Services	RCC	Risk and Compliance Committee of de Volksbank's Supervisory Board
CCO	Chief Customer Officer	IT	Information Technology	RIVM	National Institute for Public Health and the Environment
CDP	Climate Disclosure Project	KKC	Small Loans Covid-19 Guarantee Scheme	RWA	Risk-Weighted Assets
CEO	Chief Executive Officer	KPI	Key Performance Indicator	SCP	The Netherlands Institute for Social Research
CFO	Chief Financial Officer	LGBTI	Lesbian, Gay, Bisexual, Transgender and Intersex	SDG	Sustainable Development Goal
COO	Chief Operations Officer	POC	People and Organisation Committee of de Volksbank's Supervisory Board	SEC	Sustainability Expertise Centre
CPB	CPB Netherlands Bureau for Economic Policy Analysis	MoU	Memorandum of Understanding	SIC	Social Impact Committee
CRO	Chief Risk Officer	NGO	Non-Governmental Organisation	SME	Small and Medium-sized Enterprises
CRR	Capital Requirements Regulation	NLFI	NL Financial Investments; Stichting administratiekantoor beheer financiële instellingen	SSI	Self-Sovereign Identity
DNB	Dutch Central Bank	NPS	Net Promoter Score	TCFD	Task Force on Climate-related Financial Disclosures
ECB	European Central Bank	NSR	Dutch Debt Support Programme	UN	United Nations
ESG	Environmental, Social & Governance	NVB	Dutch Banking Association	Wft	Financial Supervision Act
EU	European Union	OECD	Organisation for Economic Co-operation and Development	Wwft	Money Laundering and Terrorist Financing (Prevention) Act
GDP	Gross Domestic Product	PBAF	Partnership for Biodiversity Accounting Financials		
GDPR	General Data Protection Regulation				
GRI	Global Reporting Initiative				

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