



This is an unofficial translation. The Dutch version prevails.

The Minister of Finance

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Subject: 2022 progress report on de Volksbank

Dear Ms Kaag,

Since 2017, NLFI has reported every year on the situation at de Volksbank and on how ready de Volksbank is to make a decision about its future. The 2022 progress report is enclosed with this letter.

Brief review

This progress report is the first report since de Volksbank started with implementing its new strategy, which it explained to the market in February 2021. Your predecessor informed the House of Representatives that he endorsed NLFI's conclusions following the explanation of the new strategy in the previous progress report and the detailed explanation of the new strategy's assessment by NLFI, using its financial assessment framework. The bank must be given room to implement its new strategy and further develop its chosen course. De Volksbank made a start in 2021. In the previous progress report, NLFI stated that it understands de Volksbank's chosen strategy but it also has concerns about it. These concerns have not been diminished by the current economic conditions.

Dialogue

NLFI has agreed with de Volksbank that the implementation risk will be carefully monitored, so that any adjustments required can be made in good time. NLFI closely monitors the implementation and it receives an explanation of the implementation from the bank every quarter. In this context, NLFI engages in a critical yet constructive dialogue with the bank with the aim of reflecting (within the constraints imposed on NLFI as a shareholder in the context of competition supervision) the fact that the strategy's successful implementation is key to the solidity of the bank and of determining the extent to which it would be possible to privatise the bank at a particular point in time.

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Situation

De Volksbank has a number of key performance indicators (KPIs) for 2025. Please see chapter 2 of the accompanying report. The progress made towards achieving these KPIs in the coming years (2022-2025) will help clarify the extent to which de Volksbank will achieve its objectives and successfully bring about the necessary transformations.

Developments concerning the KPIs in 2021 show a varied picture. De Volksbank made progress with respect to the following indicators: 'strong customer relations', 'social impact, and 'genuine attention to employees'. As expected, the return on equity and cost income ratio for 2021 showed a deterioration compared with 2020.

In 2021, de Volksbank's brands showed the first signs of progress concerning the five transformations that are required in order to achieve their growth priorities for the coming years, among other things. On 1 March 2022, the bank migrated to the new organisational structure and introduced the 'agile' way of working. The new brand positioning of SNS was also rolled out. Importantly, the implementation of the strategic initiatives is being worked on now.

Conclusion

Based on the current situation and its monitoring of the strategy's implementation, NLF1 concludes that de Volksbank has made a good start on implementing the strategy. NLF1 understands that further steps must be taken and costs must be incurred before an improvement is seen in the financial results. De Volksbank has told NLF1 that it expects its financial results to improve, starting from next year. In the coming period, de Volksbank must demonstrate to NLF1 that the implementation of the new strategy will bear fruit.

Follow-up

In the next progress report, NLF1 expects to focus on the progress of the implementation of de Volksbank's strategy, the outcome of this, and the possible impact of economic developments. In the meantime, NLF1 will continue its critical yet constructive dialogue with de Volksbank.

Yours sincerely,

Dr W.M. van den Goorbergh

Chairman of NLF1

D.C.C. van Everdingen

Vice-chair of NLF1