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Our reference

2022-0000182061

Date 7 July 2022
Subject NLFI's progress report on de Volksbank

Dear Chairman,

My predecessors promised to inform your House once a year about how ready de Volksbank is to make a decision on its future. NLFI issues a progress report on this once a year. Each of NLFI's progress reports has been shared with your House.

In July 2021, my predecessor informed your House about NLFI's progress report on de Volksbank for 2021. This letter contains information on NLFI's most recent progress report and the accompanying letter from NLFI. Both documents are enclosed as appendices to this letter.

NLFI's progress report for 2021

In 2021, de Volksbank started implementing a revised strategy. In this context, de Volksbank has defined nine goals for 2025 that the bank wants to achieve. In its 2021 progress report, NLFI concluded that the revised strategy contributes to the continuity, stability and stronger financial position of de Volksbank, regardless of whether de Volksbank is to be privatised or not. According to NLFI, the bank needed to be given time and room to implement the revised strategy, so that it could then demonstrate that the strategy will bear fruit.

In the 2021 progress report, NLFI also identified risks, including risks related to the speed and complexity of the implementation of the revised strategy. NLFI also noted that dynamic market conditions would affect the implementation of the revised strategy and that the bank would need to make investments before the revised strategy would bear fruit. Implementing the strategy would be a process that would take several years.

In its 2021 progress report, NLFI's conclusion was, in brief, that de Volksbank was not yet ready to make a decision about its future. My predecessor endorsed these conclusions.¹

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NLFI's progress report for 2022

The 2022 progress report is the first report to be issued since de Volksbank started implementing the revised strategy. NLFI states that it closely monitors the implementation and that 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, which takes into account the powers that NLFI has as a shareholder as well as the competition law framework.

The progress report reveals that de Volksbank has made a good start on implementing the revised strategy. According to NLFI, the bank has undertaken this implementation process with great energy, and in the process is creating a more robust organisation and strengthening its social identity. For example, NLFI states that de Volksbank has made progress with respect to the following indicators: 'strong customer relations', 'social impact, and 'genuine attention to employees'.

According to NLFI, further steps still need to be taken. NLFI understands this, since this kind of implementation process requires that investments are made before the benefits are reaped. De Volksbank expects its financial results to improve, starting from next year. Dynamic market conditions, such as inflation, interest rates and geopolitical tensions, remain relevant according to NLFI, and the pace and complexity of the implementation process remain challenging. In the opinion of NLFI, de Volksbank might be forced to adjust its strategy at some point if market conditions require this.

Appreciation

In my opinion, the fact that de Volksbank has made a good start on implementing the revised strategy is a positive development. Another positive development is that the bank achieved improvements in relation to several themes in 2021. This is reflected in, among other things, an increase in the number of active multi-customers and the fact that the bank remains well on track to achieve its ambition of having a balance sheet that is 100% climate-neutral by 2030.

I agree with NLFI's finding that de Volksbank still needs to take further steps in implementing its revised strategy and improving its financial results. As NLFI and my predecessor previously indicated earlier, this process will take several years.² De Volksbank must be given time for this, and at the same time it must continue to take into account the dynamic market conditions referred to above. In view of this, now is not the time to consider a decision on the bank's future.

Nevertheless, I believe it is vital that the revised strategy is implemented swiftly, so that the bank can accomplish the necessary transformations as soon as possible and put itself in an optimal starting position for a decision on its future. NLFI will therefore continue to monitor the implementation critically, and I will continue to ask for updates in my discussions with NLFI.

¹ Parliamentary Papers, House of Representatives, session year 2020-2021, 33532, no. 91.

² Parliamentary Papers, House of Representatives, session year 2020-2021, 33532, no. 91.

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Follow-up

It goes without saying that I will inform your House about the progress reports from NLF I every year. In the next progress report, NLF I expects to focus on the progress of the implementation of the strategy, the outcome of this, and the possible impact of economic developments. I expect to send the next NLF I progress report to your House before the summer of 2023.

In July 2021, a scenario study that looked at future options for de Volksbank was shared with your House by my predecessor. The aim of the scenario study was not to support decision-making. Instead, its aim was to enable a dialogue with your House about the bank's future options. That dialogue has not yet taken place. I would still be happy to discuss the study of future options with you, should you wish to do so. Such a discussion will make it possible to take a responsible decision on the bank's future with sufficient speed in due course. No such decision can be taken before the bank is ready.

Yours sincerely,

The Minister of Finance,

Sigrid A.M. Kaag

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