

Bulletin:

After Modest Regulatory Fines, Remediation And Transformation Remain In Sharp Focus For De Volksbank

January 30, 2025

MILAN (S&P Global Ratings) Jan. 30, 2025--The Dutch National Bank (De Nederlandsche Bank; DNB) imposed two fines for a total of €20 million on De Volksbank N.V. (DVB; A/Negative/A-1) for deficiencies in the bank's money-laundering controls and operational risk. Although the amount of the fines is manageable and doesn't significantly affect S&P Global Ratings' view on DVB, it emphasizes the need for the bank to restore an adequate risk-management framework and procedures that are compliant with all laws and regulations as soon as possible.

DVB submitted to DNB its remediation plan to address the identified deficiencies in fighting money laundering and the financing of terrorism at the end of 2024 and has already initiated implementation of this plan. Furthermore, at the end of 2024, DVB also launched its transformation plan aiming to simplify the organization and make the bank operationally stronger by addressing the structurally high cost base, optimizing its retail offering and distribution model. This requires substantial investments in IT, different controls, and procedures, as well as management resources. We think it could be challenging for DVB to undergo both the transformation and remediation initiatives, but the initiatives should not materially impair DVB's reputation or franchise, given its longstanding presence in the market and loyal clientele. Nevertheless, as transformation and remediation plans require significant financial and management resources, execution risk remains significant.

The success of both the transformation and the remediation plan is a key consideration for our ratings on DVB. Our negative outlook on the bank reflects challenges that management could face in its mission to simplify organizational structure, address weak operational efficiency and profitability, and remedy risk-management gaps.

Related Research

- De Volksbank 'A/A-1' Ratings Affirmed On Transformation Plan Announcement; Outlook Remains Negative, Dec. 10, 2024

This report does not constitute a rating action.

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