

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings changes to stable the outlook on de Volksbank's deposit and senior unsecured ratings of A2**

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20 Mar 2025

#### **BCA and all other ratings affirmed**

Paris, March 20, 2025 -- Moody's Ratings (Moody's) today affirmed de Volksbank N.V.'s (de Volksbank) long-term deposit and senior unsecured debt ratings of A2. The outlook on these ratings is changed to stable from positive. Concurrently, we affirmed the bank's Baseline Credit Assessment (BCA) and Adjusted BCA of baa1, its short-term deposit and Commercial Paper ratings of Prime-1, its Other Short Term program rating of (P)Prime-1, its senior unsecured MTN program rating of (P)A2, its junior senior unsecured debt rating of Baa1, its junior senior unsecured MTN program ratings of (P)Baa1, its long-term and short-term Counterparty Risk (CR) Assessments of Aa3(cr)/Prime-1(cr), and its long-term and short-term Counterparty Risk Ratings (CRR) of Aa3/Prime-1. In addition, we affirmed the bank's subordinate debt rating of Baa2, its subordinate MTN program rating of (P)Baa2, and its preferred stock non-cumulative rating of Ba1 (hyb).

#### RATINGS RATIONALE

##### AFFIRMATION OF THE BCA

De Volksbank's very low asset risk is underpinned by its focus on domestic retail mortgages representing 93% of the loan portfolio at year-end 2024. The SME and corporate loan portfolio bears somewhat higher risks but its size remains modest. Capital is strong as evidenced by its Common Equity Tier 1 (CET1) and Tier 1 leverage ratios of 20.2% and 5.1% respectively as of the end of 2024. Funding primarily consists of very granular and stable retail customer deposits whereas funds raised on wholesale markets are essentially long-term. The bank also maintains a large liquidity portfolio with a large share of cash at central banks and other high-quality liquid assets.

Although commensurate with its risk profile, de Volksbank's profitability is structurally

lower than that of the large Dutch universal banks, reflecting its strong focus on domestic housing loans. It nonetheless increased materially in 2023 as net interest income strongly benefited from the rise in interest rates, and excluding one-offs, remained materially higher in 2024 than prior to 2023.

We however expect that decreasing interest rates and the planned organizational transformation of the bank will somewhat weigh on its profitability over the coming quarters. De Volksbank's net interest income remains sensitive to the European Central Bank's interest rate policy. The bank announced last December the implementation of a material transformation program aimed at simplifying its organizational structure, involving the consolidation of its existing brands into ASN Bank single brand, a reduction in the number of branches as well as staff reduction. The bank front-loaded a significant portion of the charges related to both this program and further improvements in its risk and financial crime management through a provision of €283 million after tax in 2024. We nonetheless expect these measures to imply further costs and investments that will temporarily affect the bank's profit in 2025 and 2026 and create execution risks, before they generate sustainable efficiency gains.

The BCA continues to be constrained by the highly concentrated nature of the bank's business model.

Under our framework of assessing environmental, social and governance (ESG) risks, we have reflected the execution risks stemming from the transformation program by lowering the score for management credibility and track record to moderate and its overall governance issuer profile score (IPS) to G-3, indicating overall moderate governance risks. Consequently, the Credit Impact Score of CIS-2 was also lowered to CIS-3, which reflects our view that ESG factors have a moderate negative impact on de Volksbank's ratings.

## LONG-TERM RATINGS

The long-term deposit and senior unsecured debt ratings of A2 reflect the baa1 BCA and one notch of uplift under our Advanced Loss Given Failure (LGF) analysis, reflecting a low loss-given-failure for both instruments. These ratings also incorporate one notch of government support uplift, reflecting a moderate support assumption from the Government of Netherlands due to the bank's systemic importance in the country.

## OUTLOOK

The change in the outlook on the long-term deposit and senior unsecured debt ratings to stable from positive reflects our view that the positive pressure on the BCA stemming from its improved earnings since 2023 is offset by the operational risk stemming from the transformation program announced in December 2024 and our expectation of normalizing interest margins.

## FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

The BCA could be upgraded if the bank manages to smoothly complete its transformation program while continuing to demonstrate strong asset quality, robust capital, sustainably improved profitability and sound funding and liquidity. An upgrade of the bank's BCA would likely result in an upgrade of all the ratings.

A sustainably higher than expected increase in the volume of subordination brought by senior unsecured or junior senior unsecured or subordinated debt issuance could result in an upgrade of the bank's deposit rating. The senior unsecured debt rating could also be upgraded as a result of higher subordination.

The BCA could be downgraded as a result of a material deterioration in the bank's asset quality and solvency driven by a severe downturn in the domestic economy affecting households' debt repayment capacity, or a longer and more costly business transformation generating business disruption and operational risks. A downgrade of the bank's BCA would likely lead to a downgrade of all its ratings.

A higher than expected decrease in the amount of outstanding subordinated debt or preference shares could lead to a downgrade of the junior senior unsecured debt rating.

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2024 and available at <https://ratings.moodys.com/rmc-documents/432741>.

Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at <https://ratings.moodys.com/rmc-documents/435880>.

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