MOODY'S RATINGS

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

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 .

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website https://ratings.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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 .

The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the UK and is(are) endorsed for use in the UK in accordance with the UK CRA Regulation.

Please see https://ratings.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the issuer/deal page on https://ratings.moodys.com for additional regulatory disclosures for each credit rating.

Yasuko Nakamura
VP - Senior Credit Officer

Olivier Panis
Associate Managing Director

Releasing Office:
Moody's France SAS
21 Boulevard Haussmann
Paris, 75009

France
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

---

advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and all MCO entities that issue ratings under the "Moody's Ratings" brand name ("Moody's Ratings"), also maintain policies and procedures to address the independence of Moody's Ratings' credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at ir.moodys.com under the heading "Investor Relations — Corporate Governance — Charter and Governance Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V, I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Calificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is