FitchRatings

Banks
Retail & Consumer Banks
Netherlands

de Volksbank N.V.

Update

Key Rating Drivers

Standalone Strength Drives Ratings: de Volksbank N.V.'s ratings reflect its straightforward but concentrated business model, which results in weaker earnings diversification than larger and higher-rated domestic peers'. The bank's sound asset quality and moderate risk profile, with a focus on low-risk residential mortgage lending, are rating strengths. The ratings also capture improved earnings generation, satisfactory capitalisation and leverage, and robust funding underpinned by a granular and stable deposit base.

Straightforward Business Model: De Volksbank is the fourth-largest commercial bank in the Netherlands, although its market share is small at around 6% in residential mortgage loans. It operates almost exclusively in its home market, with a clear focus on retail banking, offering mainly residential mortgage loans, savings and payments products.

The bank's focus on lending results in a high reliance on net interest income (NII), which accounted on average for 90% of revenue over the past four years, highlighting limited business diversification relative to peers'.

Moderate Risk Profile: Fitch Ratings expects de Volksbank to maintain a conservative risk appetite given the bank's focus on low-risk residential mortgage lending in the Netherlands, which comprised 95% of its gross loans at end-2024. However, the bank's hedging strategy exposes it to greater interest-rate risk than larger and more diversified Dutch peers.

Similarly to some domestic peers, the bank's risk-control framework has revealed some deficiencies over the past years, including in its operational risk-management and anti-money-laundering obligations. We expect these to be addressed in the near term, but they will continue to weigh on the bank's profitability and consume management time.

Asset Quality Supports Ratings: The bank's sound and stable impaired loans ratio (end-2024: 1%) reflects its large and low-risk Dutch residential mortgage loan portfolio (around two-thirds of total assets). We expect de Volksbank's asset quality to continue to be supported by a resilient employment market and the bank's prudent underwriting. The remainder of the balance sheet mainly comprises cash and high-quality securities.

Satisfactory Profitability: De Volksbank has satisfactory profitability for its simple and concentrated business model, which results in weaker earnings diversification than peers. Operating profit declined to 2.2% of risk-weighted assets (RWAs) in 2024 (2023: 3.6%) due to falling NII and costs to remediate risk-control deficiencies. We expect the ratio to remain around 2% in 2025.

Capital Buffers Reflect Low-Risk Assets: The bank's strong common equity Tier 1 (CET1) ratio (end-2024: 20.2%) benefits from the low risk-weighting of its large residential mortgage loans portfolio. Fitch expects the CET1 ratio to be maintained well above the bank's new medium-term minimum target of around 17% under Basel III endgame rules in 2025. De Volksbank's regulatory leverage ratio (end-2024: 5.1%) is adequate for a bank concentrated on low-risk assets.

Stable Funding, Ample Liquidity: Stable and granular retail and SME deposits form the bulk of de Volksbank's funding (end-2024: 82%). The bank has limited reliance on wholesale funding, and it is a less frequent issuer in debt capital markets than larger Dutch peers. Liquidity is strong and well managed, supported by a large cash balance placed at the central bank and high-quality liquid assets, which comfortably cover short- and medium-term funding maturities.

Ratings

Foreign Currency	
Long-Term IDR	A-
Short-Term IDR	F1
Derivative Counterparty Rating	A(dcr)
Viability Rating	a-
Government Support Rating	ns
Sovereign Risk (Netherlands)	
Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Global Economic Outlook - Update (April 2025)
Benelux Banking M&A Driven by Diversification and Fee Income (March 2025)
Netherlands Mortgage Index Monitor: 1H25 (March 2025)
Fitch Affirms the Netherlands at 'AAA'; Outlook Stable (January 2025)
Western European Banks Outlook 2025 (December 2024)
de Volksbank N.V. (October 2024)

Analysts

Gary Hanniffy, CFA
+49 69 768076 266
gary.hanniffy@fitchratings.com

Oceane Lefebvre
+33 1 44 29 91 49
oceane.lefebvre@fitchratings.com

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The bank has material headroom within its current rating. However, a downgrade could result from a significant loss of market share in mortgage lending, signalling a weakening in its business profile and profitability. A higher risk profile, for example through rapid expansion in higher-risk lending causing the impaired loans ratio to durably increase above 2%, could also lead to a downgrade.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade would require a broadened product and service offering that leads to more diversified revenue streams away from interest income. This would reduce earnings sensitivity to the interest-rate cycle and strengthen internal capital generation. An upgrade would, in that case, require the bank to maintain its conservative risk profile and stable funding and liquidity.

Other Debt and Issuer Ratings

Rating Level	Rating
Deposits (long term/short term)	A/F1
Senior preferred (long term/short term)	A/F1
Senior non-preferred	A-
Subordinated Tier 2	BBB

Source: Fitch Ratings

Short-Term IDR

The 'F1' Short-Term Issuer Default Rating (IDR) is the higher of the two options mapping to an 'A-' Long-Term IDR, driven by de Volksbank's funding and liquidity score of 'a'.

Senior Debt, Deposits and Derivative Counterparty Rating (DCR)

The bank's long-term senior preferred debt, long-term deposits and DCR are rated one notch above its Long-Term IDR. This reflects Fitch's expectation that de Volksbank will continue to meet its resolution buffer requirement with only senior non-preferred and more junior debt and equity instruments. For the same reason, Fitch rates de Volksbank's senior non-preferred debt at 'A-', in line with the bank's Long-Term IDR.

The short-term senior preferred and deposit ratings of 'F1' are the lower of the two options mapping to their respective 'A' long-term ratings, reflecting our assessment of the bank's funding and liquidity score at 'a'.

Subordinated Debt

The bank's subordinated (Tier 2) debt is rated two notches below its VR, in line with the baseline notching for this type of debt and reflecting poor recovery prospects of these instruments.

Significant Changes from Last Review

Revenue Contraction and Incidental Costs Hit 2024 Profits

Revenue decreased by 7% in 2024, mainly driven by a 14% contraction of NII, reflecting pressure on savings margins due to falling interest rates, while margins on the asset side remained tight due to competition. NII tightening was partially offset by strong other operating income (+89% year on year), aided by revaluation results on hedging instruments, and robust fees and commissions income, which grew above our expectations at 20% year on year, driven by additional banking fees from a broader customer base and increased pricing.

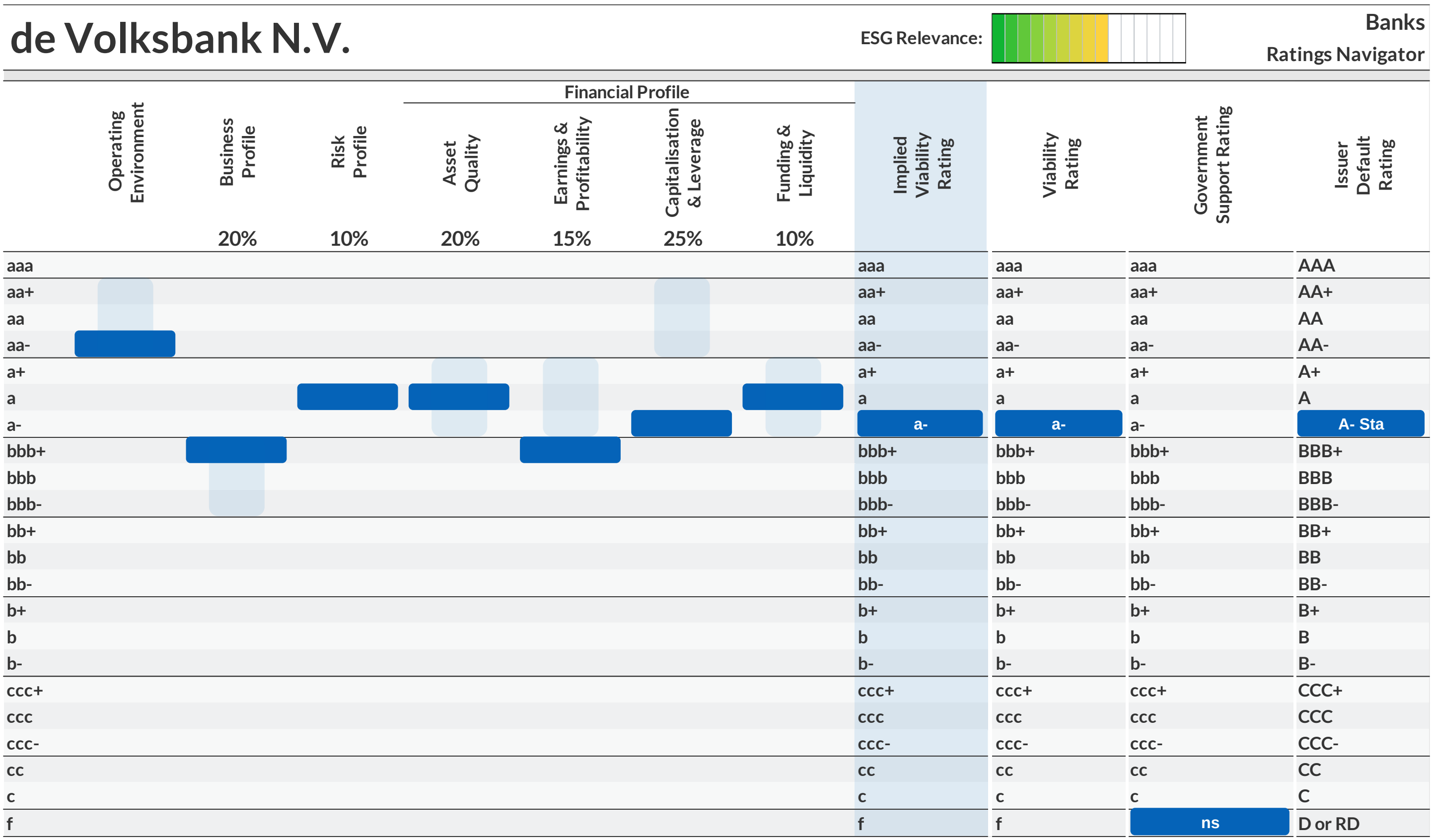
Net income of EUR144 million (2023: EUR431 million) was significantly affected by incidental costs mainly related to the bank's anti-financial crime remediation programme (EUR196 million before tax) and bank transformation programme (EUR129 million before tax) provisions. The cost/income ratio rose to a high 76% (2023: 57%) and was well above the peer average (around 60%). A significant release of loan impairment charges (equivalent to 9bp of average loans) helped to mitigate some of the cost pressure. We anticipate a small charge in 2025, supported by the bank's low-risk loan book that is dominated by residential mortgage loans.

De Volksbank's solid CET1 ratio at above 20% remains higher than at most domestic peers. In our opinion, the bank's plan to retain 2024 net profits reflects a prudent approach to capital planning.

2025 Transformation: Simplification and Cost Savings

De Volksbank will go through significant franchise changes in 2025, including consolidating its retail brands and legal name under ASN Bank and reducing its branch network and workforce. This simplification, aimed to enhance operational efficiency, does not have any near-term effect on our view of the bank's business profile and earnings and profitability. Annual structural cost savings are expected to reach EUR70 million starting from mid-2025. We forecast the bank's 2025 cost/income ratio to improve to 70%–75%, excluding any potential non-recurring items.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The earnings and profitability score of 'bbb+' is below the 'a' category implied score due to the following adjustment reason: revenue diversification (negative).

The capitalisation and leverage score of 'a-' is below the 'aa' category implied score due to the following adjustment reason: risk profile and business model (negative).

Financials

Financial Statements

	31 Dec 24		31 Dec 23	31 Dec 22	31 Dec 21
	Year end	Year end	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	1,171	1,127	1,303	851	775
Net fees and commissions	62	60	47	51	39
Other operating income	126	121	64	63	13
Total operating income	1,359	1,308	1,414	965	827
Operating costs	1,030	991	809	655	667
Pre-impairment operating profit	329	317	605	310	160
Loan and other impairment charges	-53	-51	14	52	-58
Operating profit	382	368	591	258	218
Other non-operating items (net)	-155	-149	0	0	0
Tax	78	75	160	67	56
Net income	150	144	431	191	162
Other comprehensive income	-1	-1	63	-159	-22
Fitch comprehensive income	149	143	494	32	140
Summary balance sheet					
Assets					
Gross loans	56,783	54,636	51,029	49,120	50,677
- Of which impaired	580	558	558	549	607
Loan loss allowances	148	142	182	154	107
Net loans	56,636	54,494	50,847	48,966	50,570
Interbank	6,435	6,192	4,671	6,884	4,527
Derivatives	2,225	2,141	2,544	3,302	591
Other securities and earning assets	7,482	7,199	6,733	5,591	5,638
Total earning assets	72,778	70,026	64,795	64,743	61,326
Cash and due from banks	3,484	3,352	5,891	8,011	10,305
Other assets	325	313	374	401	450
Total assets	76,587	73,691	71,060	73,155	72,081
Liabilities					
Customer deposits	58,047	55,852	54,557	56,859	57,595
Interbank and other short-term funding	2,592	2,494	1,947	2,690	1,057
Other long-term funding	9,901	9,527	8,787	8,450	8,436
Trading liabilities and derivatives	1,148	1,105	1,121	924	1,013
Total funding and derivatives	71,689	68,978	66,412	68,923	68,101
Other liabilities	691	665	557	524	494
Preference shares and hybrid capital	310	298	298	298	n.a.
Total equity	3,897	3,750	3,793	3,410	3,486
Total liabilities and equity	76,587	73,691	71,060	73,155	72,081
Exchange rate		USD1 = EUR0.962186	USD1 =EUR0.912742	USD1 =EUR0.937559	USD1 =EUR0.884173

Source: Fitch Ratings, Fitch Solutions, de Volksbank N.V.

Key Ratios

(%)	31 Dec 24	31 Dec 23	31 Dec 22	31 Dec 21
Profitability				
Operating profit/risk-weighted assets	2.2	3.6	1.7	1.6
Net interest income/average earning assets	1.7	2.0	1.3	1.3
Non-interest expense/gross revenue	75.8	57.2	67.9	80.7
Net income/average equity	3.8	12.0	5.6	4.7
Asset quality				
Impaired loans ratio	1.0	1.1	1.1	1.2
Growth in gross loans	7.1	3.9	-3.1	-0.1
Loan loss allowances/impaired loans	25.5	32.6	28.1	17.6
Loan impairment charges/average gross loans	-0.1	0.0	0.1	-0.1
Capitalisation				
Common equity Tier 1 ratio	20.2	20.2	20.3	22.7
Fully loaded common equity Tier 1 ratio	20.4	21.1	20.2	22.5
Tangible common equity/tangible assets	5.1	5.3	4.6	4.8
Basel leverage ratio	5.1	5.1	4.7	5.1
Net impaired loans/common equity Tier 1 capital	12.1	11.3	12.7	15.7
Funding and liquidity				
Gross loans/customer deposits	97.8	93.5	86.4	88.0
Gross loans/customer deposits + covered bonds	89.8	86.4	80.1	81.8
Liquidity coverage ratio	191.0	262.0	233.0	324.0
Customer deposits/total non-equity funding	81.9	83.2	83.3	85.9
Net stable funding ratio	159.8	165.7	174.0	176.0

Source: Fitch Ratings, Fitch Solutions, de Volksbank N.V.

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a+ to a-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Negative
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

The Government Support Rating of 'no support' (ns) reflects Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign in the event that de Volksbank becomes non-viable. The EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that requires senior creditors participating in losses, if necessary, instead of, or ahead of, a bank receiving sovereign support. This is despite the Netherlands government's 100% ownership of de Volksbank, which Fitch views as non-strategic due to the government's ultimate aim of privatising the bank.

Environmental, Social and Governance Considerations

FitchRatings **de Volksbank N.V.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

de Volksbank N.V. has 5 ESG potential rating drivers				ESG Relevance to Credit Rating
de Volksbank N.V. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.	key driver	0	issues	5
Governance is minimally relevant to the rating and is not currently a driver.	driver	0	issues	4
	potential driver	5	issues	3
	not a rating driver	4	issues	2
		5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.