FitchRatings

Banks
Retail & Consumer Banks
Netherlands

de Volksbank N.V.

Ratings

de Volksbank N.V.

Long-Term IDR	A-
Short-Term IDR	F1
Derivative Counterparty Rating	A-(dcr)
Viability Rating	a-
Support Rating	5
Support Rating Floor	NF

Sovereign Risk

Long-Term Foreign-and Local-Currency IDRs	AAA
Country Ceiling	AAA

Outlooks

Long-Term IDR	Stable
Sovereign Long-Term Foreign- and Local-Currency IDRs	Stable

Applicable Criteria

Bank Rating Criteria (October 2018)

Short-Term Ratings Criteria (May 2019)

Related Research

Fitch Ratings 2020 Outlook: Western European Banks (December 2019)

de Volksbank N.V.- Ratings Navigator (November 2019)

Major Benelux Banks 1H19 Results (September 2019)

Key Rating Drivers

Sound Metrics, Concentrated Franchise: de Volksbank N.V.'s ratings reflect the bank's sound asset quality and overall moderate risk appetite, with a focus on low-risk residential mortgage lending, high risk-weighted capital ratios and sound leverage. The ratings also reflect the bank's fairly undiversified business model and a franchise that lacks the breadth of the three larger Dutch banks.

High-Quality Loan Book: de Volksbank's impaired loans are low (1.2% of gross loans at end-June 2019, 1.0% in mortgage lending). The bank's asset quality has been improving, helped by a benign operating environment in the Netherlands and the bank's reasonably conservative underwriting. We do not expect de Volksbank to deviate from its narrow but fairly low-risk business model or to materially increase its risk appetite.

Revenue Headwinds: We expect the bank's revenue to remain under pressure from subdued loan growth, prevailing low interest rates and intense competition in Dutch mortgage lending. The necessary accumulation of liabilities eligible to meet the minimum requirement for own funds and eligible liabilities (MREL) will also weigh on funding costs.

Still Healthy Profitability: de Volksbank has maintained healthy profitability so far with annualised operating profit/risk weighted assets (RWA) and return on average equity of 4.6% and 8.7% respectively in 1H19. Good cost efficiency will be crucial to maintaining profitability in the medium term as loan impairment charges (LICs) eventually normalise at higher levels.

Strong Capital Ratios and Leverage: de Volksbank's Fitch Core Capital (FCC; 39.6% of RWAs at end-June 2019) and common equity Tier 1 (CET1; 37.1% at end-June 2019) ratios compare favourably with Dutch banking peers'. This is due partly to a very high share of mortgage loans with low risk-weights on the bank's balance sheet. Risk-weight floors to be introduced under Basel III end-game rules, and partially brought forward by the Dutch central bank, are likely to materially reduce the bank's risk-weighted capital ratios.

Fitch expects the impact to be manageable given the bank's high capital ratios. Its Basel leverage ratio target of at least 4.75% will help preserve sound buffers over its regulatory capital requirements despite expected RWA inflation. The bank's 5.3% Basel leverage ratio at end-June 2019 was sound and commensurate with its retail banking profile.

Granular Funding, Sound Liquidity: de Volksbank is predominantly funded by domestic retail deposits. The bank had a loans/deposits ratio of 104% at end-June 2019 and its funding mix is stable with only limited reliance on wholesale funding. Liquidity is sound and is underpinned by a buffer of high-quality liquid assets well in excess of wholesale funding maturities in the coming year.

Rating Sensitivities

Higher Risk Appetite: de Volksbank's ratings could come under pressure if risk appetite increases, for example through a loosening of underwriting standards or a significant and rapid shift in the business model, particularly if asset quality and capitalisation worsen in the longer term. This is not Fitch's base case.

Upside Constrained by Company Profile: An upgrade of de Volksbank's ratings is unlikely given the constraints of the bank's franchise and business model.

Analysts

Olivia Perney Guillot
+33 1 44 29 91 74
olivia.perney@fitchratings.com

Lukas Rollmann
+33 1 44 29 91 22
lukas.rollmann@fitchratings.com

On 15 November 2019, Fitch published *Exposure Draft: Bank Rating Criteria*, which included proposals to alter the notching of certain debt securities.

Debt Rating Classes

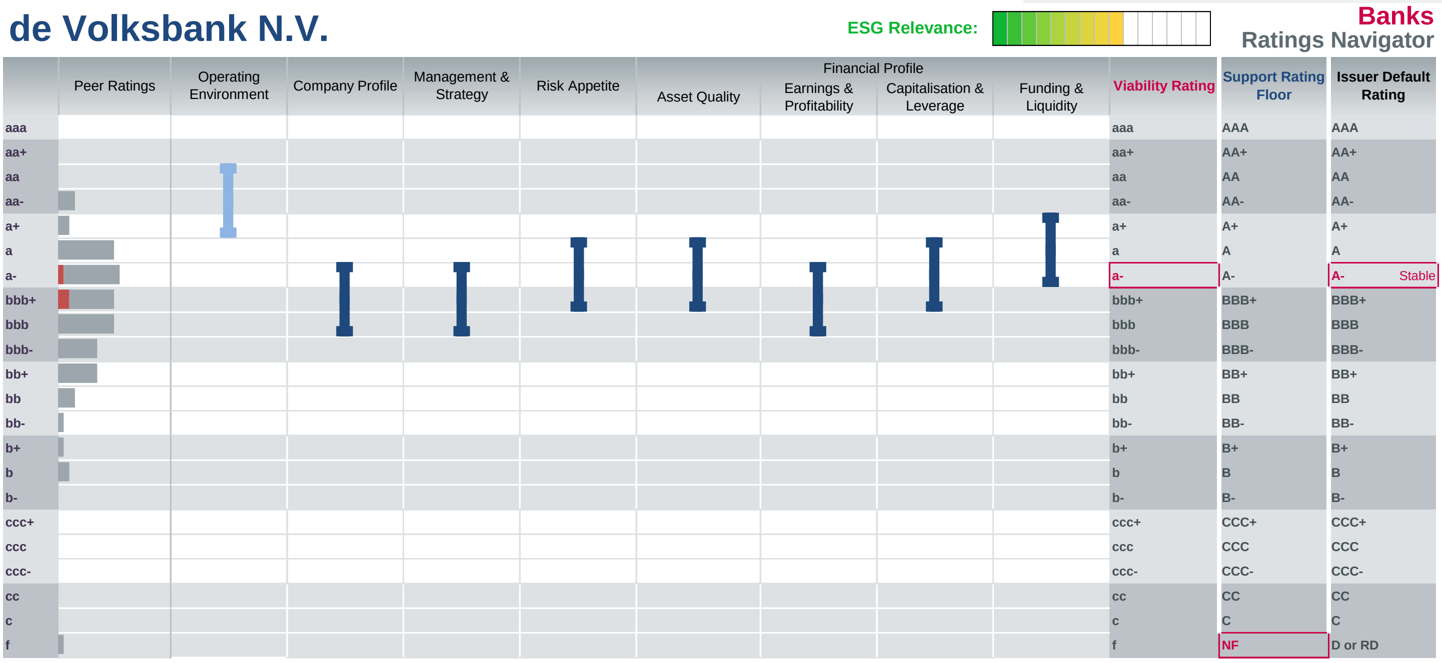
Rating level	Rating
Senior preferred debt	A-/F1
Tier 2 subordinated debt	BBB+

Source: Fitch Ratings

de Volksbank's senior preferred debt is rated in line with the bank's IDRs. de Volksbank's Short-Term Issuer Default Rating (IDR) of 'F1' is the higher option mapping to an 'A-' Long-Term IDR, reflecting our view of the bank's funding and liquidity score of 'a'. Fitch views the probability of default on senior preferred debt as the same as the probability of default of the bank. This is because the bank's buffers of more junior debt (5.7% of RWA at end-June 2019) are insufficient to materially reduce the risk of default for de Volksbank's senior preferred creditors in case of failure.

Subordinated debt is rated one notch below de Volksbank's VR, reflecting the higher-than-average loss severity of this type of debt. Fitch does not apply additional notching for incremental non-performance risk relative to the VR given that any loss absorption would only occur once the bank reaches the point of non-viability.

Ratings Navigator – Standalone Assessment



Bar Chart Legend

Vertical bars – VR range of Rating Factor

Bar Colors – Influence on final VR

- Higher influence
- Moderate influence
- Lower influence

Bar Arrows – Rating Factor Outlook

⇧ Positive ⇩ Negative
⇳ Evolving ▫ Stable

Significant Changes

Privatisation Discussions Continue

State-owned foundation Stichting administratiekantoor beheer financiële instellingen (NLFI) has been de Volksbank's sole shareholder since the bank's nationalisation in 2013.

In mid-2016 NLFI had been given a mandate to draw up divestment proposals for de Volksbank within a three-year period. In late 2019 NLFI and the Dutch finance ministry concluded that it would take longer than that three-year period to privatise the bank. NLFI is expected to publish another progress report about options for the bank's privatisation in the second half of 2020. Options being discussed include an initial public offering, a private placement or the issue of cooperative shares to customers and employees.

In its latest progress report, NLFI argues that de Volksbank's business model makes its earnings more sensitive to a persistently lower and flatter yield curve than more diversified entities. Lower expected earnings would in turn make it difficult for de Volksbank to realise a market value above book value if it were to be privatised. This would ultimately prevent the Dutch state from recouping the investment it made when it nationalised the bank. The Dutch State had acquired and restructured SNS REAAL, de Volksbank's former parent company, for a total of EUR3.7 billion.

December 2019 Capital Distribution

On 16 December 2019, the supervisory authority allowed de Volksbank to distribute a dividend of EUR250 million to NLFI. Pro forma this dividend distribution, de Volksbank's end-June 2019 CET1 and leverage ratios would have been 34.3% and 4.9%, respectively. The dividend payment should help the bank meet its 8% return on equity target, which is under pressure from revenue headwinds and slowing cost efficiency gains.

Changes in Top Management

de Volksbank's Chief Financial Officer (CFO) stepped down in September 2019. The bank intends to appoint a former PwC Netherlands partner as its new CFO in 2020, pending regulatory approval. The bank also internally promoted its new Chief Operating Officer in May 2019. Fitch does not expect significant shifts in the bank's strategy as a result of these changes.

Risk-Weight Floor for Dutch Mortgage Lending from Late 2020

The Dutch central bank, De Nederlandsche Bank (DNB), has recently proposed a risk-weight floor for mortgage lending not covered by the Dutch National Mortgage Guarantee (NHG) scheme. The measure should come into force in autumn 2020. The proposed risk-weight floors increase with the loan/value (LTV) ratio of the underlying mortgage loans. DNB estimates that, on average, risk weights on mortgage loans will go up to 14%-15% (de Volksbank: 11.5% at end-June 2019). The measure effectively front-loads part of the impact from Basel III end-game rules, which would have been subject to a gradual phase in, most likely from 2022. We expect the impact from this to be easily manageable for the bank given its high capital ratios.

Company Summary and Key Qualitative Assessment Factors

Domestic Retail Banking Business Model

de Volksbank is a challenger in the concentrated Dutch banking market. It has a purely domestic retail banking business model focusing on private individuals. It has three core products: payment services, savings and residential mortgage loans. The latter make up over 90% of the bank's loans and three quarters of total assets. Net interest income (NII) is the bank's largest revenue driver by far, reflecting its concentrated business model.

The bank operates four separate brands under a single banking licence: SNS, RegioBank, BLG Wonen and ASN Bank. The four brands have around 3.2 million customers in total and distribute their products online, through mobile channels or through independent agents. The SNS brand operates a network of about 200 branches in the Netherlands. de Volksbank's market shares are about 7% in domestic mortgage lending and 10% in deposits. In comparison, the three larger banks have market shares above 20% each in both products.

Experienced Management Team, Sound Corporate Governance

de Volksbank's management team has a good degree of depth, credibility and experience. There have been recent instances of turnover among top executives but these remain manageable. Corporate governance is sound and provides reasonable protection to creditors' interests. The Dutch state is not involved in day-to-day management of the bank but significant strategic decisions need to be approved by the Minister of Finance under NLFI's articles of association.

The bank's long-term strategic objectives are coherent and documented. It aims to be a trusted financial institution with a strong social identity. de Volksbank has had a good record of execution and has deleveraged substantially since it was nationalised. The commercial real estate exposure that had led to its difficulties was spun off and eventually sold in 2016. Execution on profitability targets is proving more challenging as the bank's concentrated business model makes it more sensitive to persistently low interest rates.

Stricter Standards Gradually Feeding Through to the Loan Book

The bank's risk appetite is moderate and underwriting standards for residential mortgage loans, which form the bulk of its business, are low-risk and consistent with industry standards.

Dutch mortgage lending is mainly prime, owner-occupied, with a very limited buy-to-let segment due to a small and rigid private rental market. de Volksbank's mortgage lending has been conducted at high LTV ratios by international standards, like at its Dutch peers, and driven by past tax incentives to borrow. Regulatory changes adopted since 2011 have reduced the LTV cap at loan origination to 100%, which is still high, and required mortgage loans to be fully amortising for interest expenses to be tax deductible.

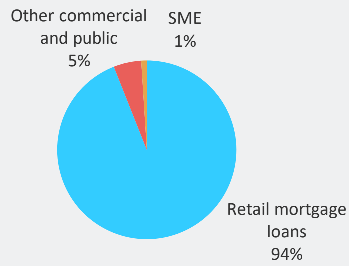
Loans with high LTVs and interest-only structures will remain a feature of Dutch banks' loan portfolios in the foreseeable future given the long maturity of the asset class. But Fitch believes mortgage lending risks are mitigated by Dutch banks' focus on debt affordability, including under stressed interest rates. The use of centralised credit bureau data and fraud registers is widespread. The legal system is creditor-friendly and banks have full recourse to the borrowers.

Moderate Exposure to Interest Rate Risk

de Volksbank mainly faces market risk in the form of structural interest-rate risk in the banking book. Its monitoring is reasonably sophisticated and commensurate with the bank's business model. At end-June 2019, the duration of equity was moderate at 2.4 (up from 1.4 at end-2018). The bank calculated that its pre-tax earnings-at-risk were EUR75 million (8% of the annualised 1H19 NII), and that its NII was most vulnerable to a steepening of the yield curve.

Gross Loans by Type

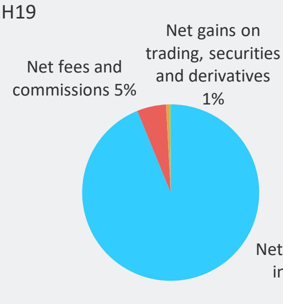
EUR52 billion at end-June 2019



Source: Fitch Ratings, de Volksbank

Operating Income by Source

1H19



Source: Fitch Ratings, de Volksbank

Selected Financial Targets

	2020 target	1H19[a]
Return on equity (%)	8.0	8.6
Adjusted cost/income[b] (%)	50-52	54.3
Reduction in FTEs	800 from end-2016	c.310 at end-June 2019
CET1 ratio (%)	≥ 19	37.1
Leverage ratio (%)	≥ 4.75	5.3

[a] As calculated by the bank
[b] Excluding regulatory levies
Source: Fitch Ratings, de Volksbank

Summary Financials and Key Ratios

	30 Jun 19	31 Dec 18	31 Dec 17	31 Dec 16
	6 months - interim	Year-end	Year-end	Year-end
	(EURm)	(EURm)	(EURm)	(EURm)
	Reviewed - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement				
Net interest & dividend income	442.0	908.0	929.0	924.0
Net fees and commissions	25.0	44.0	49.0	57.0
Other operating income	4.0	6.0	50.0	16.0
Total operating income	471.0	958.0	1,028.0	997.0
Operating costs	278.0	609.0	603.0	620.0
Pre-impairment operating profit	193.0	349.0	425.0	377.0
Loan & other impairment charges	-13.0	-12.0	-24.0	-68.0
Operating profit	206.0	361.0	449.0	445.0
Other non-operating items (net)	n.a.	n.a.	n.a.	-13.0
Tax	52.0	93.0	120.0	103.0
Net income	154.0	268.0	329.0	329.0
Other comprehensive income	16.0	-7.0	-41.0	10.0
Fitch comprehensive income	170.0	261.0	288.0	339.0
Summary balance sheet				
Assets				
Gross loans	51,659.0	50,662.0	49,471.0	48,807.0
- Of which impaired	595.0	657.0	415.0	608.0
Loan loss allowances	108.0	126.0	149.0	214.0
Net loans	51,551.0	50,536.0	49,322.0	48,593.0
Interbank	4,208.0	3,185.0	2,226.0	2,532.0
Derivatives	705.0	732.0	1,075.0	1,533.0
Other securities & earning assets	4,914.0	4,782.0	5,117.0	5,970.0
Total earning assets	61,378.0	59,235.0	57,740.0	58,628.0
Cash and due from banks	1,948.0	1,219.0	2,574.0	2,297.0
Other assets	615.0	494.0	578.0	636.0
Total assets	63,941.0	60,948.0	60,892.0	61,561.0
Liabilities				
Customer deposits	49,773.0	47,265.0	45,848.0	46,274.0
Interbank and other short-term funding	891.0	1,307.0	3,118.0	1,364.0
Other long-term funding	7,002.0	7,085.0	5,968.0	7,433.0
Trading liabilities and derivatives	1,926.0	1,120.0	1,252.0	1,861.0
Total funding	59,592.0	56,777.0	56,186.0	56,932.0
Other liabilities	771.0	600.0	992.0	1,088.0
Pref. shares and hybrid capital	n.a.	n.a.	n.a.	n.a.
Total equity	3,578.0	3,571.0	3,714.0	3,541.0
Total liabilities and equity	63,941.0	60,948.0	60,892.0	61,561.0

Summary Financials and Key Ratios

	30 Jun 19 6 months - interim (EURm) Reviewed - unqualified	31 Dec 18 Year-end (EURm) Audited - unqualified	31 Dec 17 Year-end (EURm) Audited - unqualified	31 Dec 16 Year-end (EURm) Audited - unqualified
Ratios (annualised as appropriate)				
Profitability				
Operating profit/RWA	4.6	3.9	4.6	4.1
NII/average earning assets	1.5	1.6	1.6	1.6
Non-interest expense/gross revenues	59.0	63.6	58.7	62.2
Net income/average equity	8.7	7.5	9.1	9.6
Asset quality				
Impaired loans ratio	1.2	1.3	0.8	1.3
Growth in gross loans	2.0	2.4	1.4	-1.6
Loan loss allowances/impaired loans	18.2	19.2	35.9	35.2
Loan impairment charges/average gross loans	-0.1	0.0	-0.1	-0.1
Capitalisation				
Fitch Core Capital ratio	39.6	38.2	37.8	32.6
Tangible common equity ratio	5.6	5.9	6.1	5.7
CET 1 ratio	37.1	35.5	34.1	29.2
Basel leverage ratio	5.3	5.5	5.5	5.2
Net impaired loans/FCC	13.6	14.9	7.2	11.2
Funding & liquidity				
Loans/customer deposits	103.8	107.2	107.9	105.5
LCR	147.0	177.0	177.0	n.a.
Customer deposits/funding	86.3	84.9	83.5	84.0
NSFR	n.a.	n.a.	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions

Key Financial Metrics – Latest Developments

Asset Quality Underpinned by Loan Mix, Benign Environment

de Volksbank's impaired loans/gross loans ratio compares well with similarly rated peers owing to its product concentration in residential mortgage lending in a stable economy. The low coverage of impaired loans by loan-loss allowances partly reflects the positive economic outlook (decreasing unemployment and rising property prices) used by the bank to determine expected losses. Fitch expects asset quality metrics, including LICs, to gradually normalise. However, a sharp deterioration is unlikely in the near term as the operating environment remains relatively benign.

The bank's origination of fully interest-only mortgage loans, which had peaked in the mid-2000s because of past tax incentives, is now limited. Their share in the portfolio is decreasing gradually and was about 25% at end-June 2019. Nearly 90% of the outstanding interest-only loans had an LTV below 75% due to the supportive property market. This limits refinancing risk for borrowers. Additionally, the bank has been approaching potentially vulnerable interest-only borrowers since 2017 to ensure they will be able to repay their loans as maturity approaches. We believe risks from this portfolio to be adequately managed.

Healthy Profitability despite Revenue Pressure and Rigid Cost Base

de Volksbank's NII is gradually declining. The bank's loan book re-prices as new production is concluded at lower rates and older loans mature or are prepaid. The bank also faces tough competition on its main revenue source, which limits the upside potential for margins. Despite higher origination volumes and lowering the rates paid on savings, de Volksbank has been unable to fully compensate for the gradual decline in its NII over the past years.

The bank has moderate cost efficiency compared to some of its northern European peers. Its 50% to 52% cost/income ratio objective will be challenging to reach in light of revenue headwinds. The bank's cost base has been relatively rigid despite a near 10% reduction in the number of full-time equivalents since 2016. Investments in prudential and compliance-related projects have also inflated operating expenses in recent years. Despite these challenges, de Volksbank's profitability, as measured by its operating profit/RWAs ratio, is still at healthy levels and compares well with peers'.

Sound Capital Ratios, Conservative Capital Planning

de Volksbank's risk-weighted capital ratios compare strongly with peers' and provide ample buffer above regulatory minimums of 10.5% and 14.0% for CET1 and total capital, respectively. These ratios are likely to decrease as Basel III end-game rules harmonising banks' risk-weighting models are phased in. de Volksbank estimates its CET1 ratio will decline to about 23% from 34.3% currently (pro forma for the December 2019 dividend), which is still comfortably above regulatory minimums and the bank's conservative own capital target.

In 1H18, the Single Resolution Board (SRB) set de Volksbank's minimum requirement for own funds and eligible liabilities (MREL) at 8% of its total liabilities and own funds (TLOF). In its capital planning, the bank assumes it will need to cover its MREL exclusively with own funds, subordinated and non-preferred senior debt by 2024. Based on its end-June 2019 capital position, pro forma for the December 2019 dividend, de Volksbank had total capital (Tier 1 capital and Tier 2 debt) totalling about 6% of its TLOF. Given this starting point, Fitch estimates the shortfall to the 8% threshold to be about EUR1.3 to 1.8 billion depending on early redemption of Tier 2 debt in 2020 and dividend payout in the coming years. Ultimately, the build-up of junior and senior non-preferred debt could reduce default risk for preferred senior creditors.

Granular Deposit Funding, Sound Liquidity

Stable household and SME deposits form the bulk of de Volksbank's funding (about 85% at end-June 2019). The bank's wholesale funding is limited and it is a less frequent issuer in debt capital markets than its larger Dutch peers. de Volksbank's wholesale funding mainly consists of covered bonds and preferred senior debt. The bank maintains a large buffer of high quality liquid assets, which was about EUR7 billion at end-June 2019 (excluding retained securitisations) and comfortably covered short-term funding and medium-to long-term funding coming due in one year.

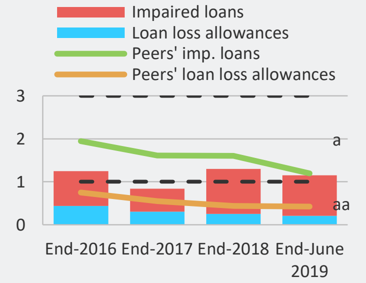
Note on Charts

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in environments that Fitch scores in the 'aa' category like the Netherlands.

The peer average includes de Volksbank N.V. (VR: 'a-'), ABN AMRO Bank N.V. (a), Cooperatieve Rabobank U.A. (a+), Coventry Building Society (a-), ING Group N.V. (a+), Leeds Building Society (a-) and Skipton Building Society (a-).

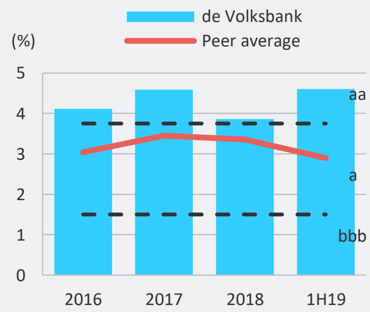
Asset Quality

(% gross loans)



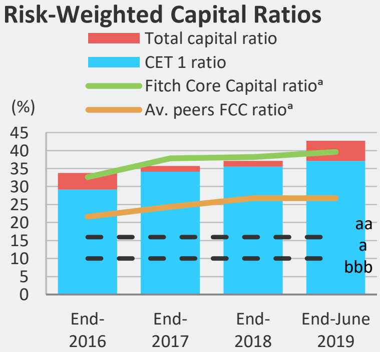
Source: Fitch Ratings, Banks

Operating Profit/RWAs



Source: Fitch Ratings, Banks

Risk-Weighted Capital Ratios



[a] Fitch Core Capital used as benchmark line
Source: Fitch Ratings, Banks

Sovereign / Institutional Support Assessment

Support Rating Floor			Value
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)			A or A-
Actual country D-SIB SRF			NF
Support Rating Floor:			**NF**
Support Factors	**Positive**	**Neutral**	**Negative**
Sovereign ability to support system			
Size of banking system relative to economy			✓
Size of potential problem	✓		
Structure of banking system			✓
Liability structure of banking system		✓	
Sovereign financial flexibility (for rating level)		✓	
Sovereign propensity to support system			
Resolution legislation with senior debt bail-in			✓
Track record of banking sector support		✓	
Government statements of support			✓
Sovereign propensity to support bank			
Systemic importance		✓	
Liability structure of bank		✓	
Ownership		✓	
Specifics of bank failure		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

Sovereign Support Not Factored into the Ratings

de Volksbank's Support Rating of '5' and Support Rating Floor of 'No Floor' reflect Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign if 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 is likely to require senior creditors participating in losses, if necessary, instead of or ahead of a bank receiving sovereign support.

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

- 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.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
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	Company Profile; Management & Strategy; Risk Appetite; Asset Quality	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite	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; Company Profile; Management & Strategy; Risk Appetite	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy	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	Company Profile; Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	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	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy	2
				1

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

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The left-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the [number of] general ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with 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 and sub-sector ratings criteria and the General Issues and the Sector-Specific Issues have been informed with SASB's Materiality Map.

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

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.

de Volksbank's highest level of ESG credit relevance is a score of 3. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity. For more information on our ESG Relevance Scores, visit www.fitchratings.com/esg.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.