

CREDIT OPINION

26 September 2019

Update

 Rate this Research

RATINGS

De Volksbank N.V.

Domicile	Netherlands
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A3
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	A3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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De Volksbank N.V.

Update to credit analysis

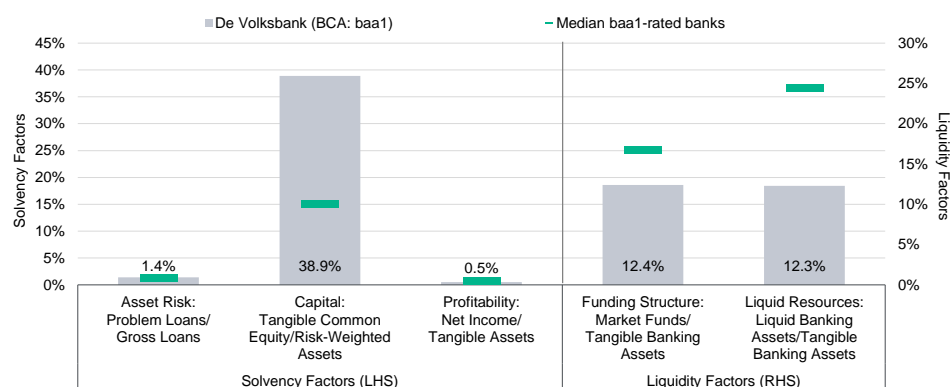
Summary

De Volksbank N.V.'s Baseline Credit Assessment (BCA) of baa1 reflects the bank's (1) very low risk profile; (2) strong capital base; and (3) resilient profitability, although it is constrained by a lack of diversification. As a result of (1) its strategic refocus on domestic retail mortgages; and (2) the benign macroeconomic environment prevailing in the Netherlands, de Volksbank's asset risk has improved materially over the past few years. In addition, the bank has a very strong capital base, which allows it to cope with future regulatory requirements. We believe de Volksbank's credit profile and profitability will remain constrained by its lack of diversification.

De Volksbank's long-term deposit and senior unsecured debt ratings of A3 reflect (1) the bank's BCA of baa1; (2) no uplift from our Advanced Loss Given Failure (LGF) analysis because of the moderate loss given failure of these instruments; and (3) one notch of government support uplift because of the bank's systemic importance in the Netherlands.

Exhibit 1

Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

- » De Volksbank's asset book is primarily focused on low-risk Dutch retail mortgages.
- » The bank has built a very strong capital buffer in preparation for higher capital requirements and to offset the weakness associated with being a monoline bank.
- » The bank benefits from a sound liquidity profile, which is enhanced by its good access to market funding.

- » De Volksbank benefits from a moderate likelihood of government support in a stress scenario.

Credit challenges

- » De Volksbank's profitability is challenged by the low interest rate environment and the highly competitive Dutch market.
- » The bank's asset quality and revenues are constrained by its monoline business and are highly correlated with the Dutch mortgage market.

Rating outlook

The stable outlook on de Volksbank's long-term deposit and debt ratings reflects our expectation that the bank's asset risk will remain very low in the current benign macroeconomic environment, while the bank will keep a strong capital buffer. The low cost of risk and tight control over operating costs will continue to support the bank's profitability and help withstand the pressure on the interest income stemming from low interest rates.

Factors that could lead to an upgrade

- » De Volksbank's BCA could be upgraded if the bank's profitability were to strengthen. An upgrade of the bank's BCA would likely result in an upgrade of all the ratings.
- » De Volksbank's deposit and senior unsecured debt ratings could also be upgraded if the volume of junior deposits collected by the bank were to increase or if it were to issue larger-than-expected amounts of subordinated debt, resulting in lower loss given failure for both depositors and senior debtholders.

Factors that could lead to a downgrade

- » De Volksbank's BCA could be downgraded as a result of a material deterioration in the bank's asset quality and solvency, driven by an unexpected downturn in the domestic economy, or a deterioration of its liquidity profile. A downgrade of the bank's BCA would likely lead to a downgrade of all the ratings.
- » A material decrease in the amount of outstanding debt and junior deposits would also potentially lead to a downgrade of these instruments' ratings.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

De Volksbank N.V. (Consolidated Financials) [1]

	06-19 ²	12-18 ²	12-17 ²	12-16 ²	12-15 ²	CAGR/Avg ³
Total Assets (EUR Million)	63,377.0	59,770.0	59,668.0	60,599.0	61,422.0	0.9 ⁴
Total Assets (USD Million)	72,173.5	68,325.8	71,649.2	63,916.9	66,722.4	2.3 ⁴
Tangible Common Equity (EUR Million)	3,512.0	3,514.0	3,560.0	3,366.0	3,118.0	3.5 ⁴
Tangible Common Equity (USD Million)	3,999.5	4,017.0	4,274.8	3,550.3	3,387.1	4.9 ⁴
Problem Loans / Gross Loans (%)	1.2	1.3	1.4	1.8	3.1	1.8 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	38.9	37.6	36.4	31.1	27.1	34.2 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	16.4	18.0	18.4	24.4	44.3	24.3 ⁵
Net Interest Margin (%)	1.4	1.5	1.5	1.5	1.6	1.5 ⁵
PPI / Average RWA (%)	4.2	3.7	4.2	3.4	4.0	3.9 ⁶
Net Income / Tangible Assets (%)	0.5	0.4	0.6	0.6	0.6	0.5 ⁵
Cost / Income Ratio (%)	59.0	63.7	58.8	62.8	54.4	59.7 ⁵
Market Funds / Tangible Banking Assets (%)	13.8	12.4	13.4	13.4	14.4	13.5 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	12.5	12.3	16.0	17.8	17.5	15.2 ⁵
Gross Loans / Due to Customers (%)	101.2	108.7	109.8	107.3	104.6	106.3 ⁵

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully-loaded or transitional phase-in; IFRS. [3] May include rounding differences due to scale of reported amounts. [4] Compound Annual Growth Rate (%) based on time period presented for the latest accounting regime. [5] Simple average of periods presented for the latest accounting regime. [6] Simple average of Basel III periods presented.

Source: Moody's Investors Service; Company Filings

Profile

De Volksbank N.V. (de Volksbank, formerly SNS Bank NV) is the fourth-largest retail bank in the Netherlands. As of the end of June 2019, de Volksbank reported €64 billion in consolidated assets, a deposit base of €50 billion and a loan book of €51 billion. De Volksbank essentially provides residential mortgages (around 94% of the total loan book), but also current accounts, savings accounts and investment products. The bank services individual retail customers and to a lesser extent small and medium-sized enterprises (SMEs) in the Netherlands.

Following large losses in its commercial real estate (CRE) lending portfolio, the former SNS Group (SNS REAAL) was nationalized on 1 February 2013 and was subjected to an in-depth restructuring. In July 2016, the Dutch state agency NL Financial Investments (NLF), the owner of de Volksbank, submitted a report to the Dutch Ministry of Finance, advising it to postpone any decisions regarding the privatization of the bank. This was followed by a second report in October 2018, which concluded that de Volksbank would at least need the full three-year period starting mid-2016 before taking any decision. NLF's conclusions were endorsed by the Ministry of Finance, which also noted the fact that de Volksbank would need this period to work on the shared value ambition and further strengthen its social identity. We expect NLF to produce another report, which is likely to recommend status quo.

On 31 December 2016, ASN Bank NV, RegioBank NV and SNS Bank NV were legally merged, following which the separate banking licenses of ASN Bank NV and RegioBank NV subsequently lapsed and the bank was renamed de Volksbank on 1 January 2017.

Please click [here](#) for further information on de Volksbank.

Detailed credit considerations

De Volksbank's asset book is primarily focused on the low-risk Dutch retail mortgages

De Volksbank's business strategy is focused on retail mortgages (around 95% of total loans and advances to customers) and savings in the Netherlands. As a result of (1) strong macroeconomic conditions in the Netherlands; and (2) stricter lending standards, driven by the [Government of Netherlands](#)' (Aaa, stable) measures on the tax deductibility of home loan interest payments and maximum loan-to-value (LTV) ratios, de Volksbank's asset risk profile has materially improved since 2012. As of the end of June 2019, the bank's impaired loans (stage 3 assets under IFRS 9) stood at 1.2% of gross loans, a significant decrease from 7.6% in 2012, and its credit costs have been negative over the last three years as a result of low provisioning and reversals of existing provisions. For the first half of 2019, the bank recorded a release of €13 million and the cost of risk was negative 5 basis points (bps) of average loans.

De Volksbank's mortgage portfolio is sound (as of the end of June 2019, impaired loans represented 1.1% of the mortgage loan book), despite risks identified in the Dutch housing market:

- » It is spread across all Dutch provinces and is not concentrated in large cities where house prices have increased most and overheating risk is more acute.
- » The proportion of interest-only (100% and partially) and investment-based retail mortgage loans, which are more prone to repayment risks, is slightly decreasing (59% as of the end of June 2019 from 61% as year-end 2018 and 64% as of year-end 2017).
- » The average LTV on outstanding loans has constantly decreased (68% as of the end of June 2019 from 70% as of year-end 2018 and 74% as of year-end 2017) as a result of the house price increase and the Dutch government's measures to lower the LTV at origination to a maximum of 100% in 2018.
- » Of de Volksbank's mortgage loans, 30% benefit from a guarantee of the Dutch Mortgage Guarantee.¹
- » An increasing share (65% as of the end of June 2019 versus 64% as of year-end 2018 and 61% as of year-end 2017) of de Volksbank's mortgage loans bear a fixed interest rate for a minimum period of 10-15 years (after which, the interest rate can be reset or becomes variable), preserving borrowers from an interest rate upsurge during that period.

De Volksbank's loan book outside retail mortgages (6% of the total loan book) is mainly composed of loans to the public sector and loans to SMEs. These portfolios bear a very limited cost of risk (for instance, in H1 2019, the cost of risk in the SME portfolio was negative 69 bps). The bank also holds a financial investment portfolio for liquidity purposes, amounting to €5 billion as of the end of June 2019. As of year-end 2018, the investment portfolio comprised government bonds (€3.4 billion), financials (€1.0 billion) and corporate bonds (€0.4 billion). The investment portfolio is almost entirely of very high credit quality.

De Volksbank's low risk profile is reflected in its a1 Asset Risk score.

The bank has built a very strong capital buffer in preparation for the new regulatory rules and in relation to its monoline business

The bank's Common Equity Tier 1 (CET1) capital ratio was 37.1% as of the end of June 2019, well above the requirement of 10.5% for 2019 (consisting of a Pillar 1 requirement of 4.5%, a Pillar 2 requirement of 2.5%, a capital conservation buffer of 2.5% and a systemic buffer of 1%) and up from 35.5% as of year-end 2018. The bank's capital ratio has increased substantially over the last few years² as a result of (1) retained earnings, and (2) a decrease in risk-weighted assets (RWA), driven by lower probabilities of default and loss given default resulting from improved economic conditions. As of the end of June 2019, de Volksbank's fully loaded leverage ratio stood at 5.3%.

De Volksbank estimates that the finalization of the Basel III rules, published by the Basel Committee on 7 December 2017, would increase its RWA by around 48%³, which is equivalent to a negative impact of 12 percentage points on its CET1 ratio, driven by the output floor set at 72.5% of the RWA to be calculated under the revised standardized approach (as opposed to the internal modeling approach). In addition, following the Targeted Review of Internal Models (TRIM) of 2018, the bank was required by the supervisor to temporarily adjust the parameters of its internal credit risk models, with an estimated impact of 3.1 percentage points on the CET1 ratio.

Despite these regulatory changes, the bank estimates that its CET1 ratio will remain well above its current internal target of at least 19%⁴ (which includes a 8.5 % CET1 buffer comprising Pillar 2 guidance and a management buffer).

De Volksbank paid a €161 million dividend from its 2018 profit to its sole shareholder, NLF, which corresponds to a payout ratio of 60%, at the high end of its 40%-60% payout target. The bank expects the payout ratio to be 60% for 2019 as well. Before the sale of the bank by the Dutch government, de Volksbank will likely upstream some of the current excess capital to the state. The bank's CET1 capital will therefore likely decrease to a level closer to the bank's Basel IV target i.e. 19 %, which it communicated to the market.

De Volksbank's profitability is challenged by the low interest rates and a highly competitive environment

The profitability of de Volksbank's core retail activities is constrained by the difficult low interest rate environment and the bank's modest commercial franchise, compared with that of its Dutch peers (net interest income amounts to around 95% of its total income). In H1 2019, the bank reported a net profit of €154 million, up 3% compared with H1 2018.

Net interest income fell by 3%, driven by lower interest income on mortgages, although partially compensated by the decrease in interest rates paid on client deposits (which are now close to zero) and the growth in the loan portfolio. Overall, the bank's net interest margin decreased to 140 bps in H1 2019 from 147 bps in H1 2018. We expect a further decline in net interest income as margins will be under growing pressure.

Operating expenses were down to €265 million (-7%) as a result of the positive effects of the efficiency measures taken by the bank. The adjusted cost-to-income ratio⁵ improved to 54.3% (56.7% in H1 2018), compared with a target range of 50%-52% in 2020. A key challenge for de Volksbank is to preserve its profitability by broadening its customer base and by improving its cost-efficiency. Nonetheless, we expect the low interest rate environment to continue to strain the bank's income.

The bank's Profitability score is ba1, in line with the Macro-Adjusted score, resulting from its return on assets of 0.5% in H1 2019.

De Volksbank benefits from sound funding and liquidity profiles, enhanced by the bank's renewed access to market funding

Retail funding represents around 80% of the bank's total funding (excluding equity). De Volksbank has a large deposit base amounting to €50 billion, and the bank's reported loan-to-deposit ratio stood at 103% as of the end of June 2019.

The bank's long-term wholesale funding (€7.5 billion) is primarily composed of covered bonds (58%) and senior unsecured debt (28%). Over H1 2019, the bank issued around €0.8 billion of wholesale funding.

De Volksbank's liquidity profile would enable it to resist a prolonged financial market disruption. De Volksbank's liquid assets amounted to €16 billion as of the end of June 2019, while its wholesale funding maturing as of year-end 2019 stood at €0.1 billion. The bank's liquidity buffer mainly consists of residential mortgage-backed securities (RMBS) eligible for central bank refinancing (€9 billion), cash (€4 billion) and sovereign and public-sector bonds (€2 billion). Although the RMBS are eligible for European Central Bank operations, we consider them to be of lower quality than central bank deposits or government bonds because they may not be negotiable in the secondary market in a stress situation.

The bank's strong liquidity and funding profiles are confirmed by its liquidity coverage ratio of 147% as of the end of June 2019, although this ratio too is highly dependent on retained RMBS, accounting for almost 60% of liquidity reserves at the same date, and a net stable funding ratio well above 100% (as disclosed by the issuer) as of the same date. They are reflected in the bank's baa1 Combined Liquidity score.

De Volksbank's BCA of baa1 reflects its financial profile of a3, which is however adjusted downward by one notch to reflect the bank's monoline activity.

Environmental, social and governance considerations

De Volksbank has a low exposure to environmental risk, in line with our general view for the banking sector as explained in our Environmental risk heatmap. Environmental risks to banks are usually indirect, undertaken through financing clients' operations, which are the acquisition of residential real estate in de Volksbank's case. Such risk exposure is unlikely to translate into a meaningful credit impact, because of the broad geographical diversification within the Netherlands, unless large parts of the country are subject to environmental catastrophes. Reputational risk due to the financing of the Dutch housing market is negligible in our opinion.

Social considerations are relevant for de Volksbank in the sense that, as for other Dutch banks, it is likely subject to regular investigations by the Dutch supervisor related to good customer care and the risk of sale of unsuitable or uneconomical products to clients. Investigations and related fines imposed by supervisors represent significant reputational risk for banks. Dutch supervisors currently have particular scrutiny on sales practices of residential mortgages, including in relation to penalties charged to customers for early repayment. The bank disclosed that several legal proceedings were pending against the bank, but nothing was mentioned in relation to sales practices of mortgages. In the recent past, the bank was forced to compensate certain SME clients through a Dutch industry-wide framework for alleged mis-selling of interest rate derivatives.

Governance is highly relevant for de Volksbank, as it is to all players in the banking industry, and we do not have any particular governance concern. Corporate governance weaknesses can lead to a deterioration in a company's credit quality, while governance strengths can benefit its credit profile. De Volksbank has not shown any major governance shortfalls since its nationalisation in 2013 and its risk management framework seems to be commensurate with the bank's risk appetite. Nonetheless, corporate governance remains a key credit consideration and requires ongoing monitoring.

Support and structural considerations

Loss Given Failure (LGF) analysis

De Volksbank is subject to the European Union Bank Recovery and Resolution Directive, which we consider to be an operational resolution regime. We assume residual tangible common equity of 3%, losses post failure of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits, a 5% runoff in preferred deposits and a 25% probability to deposits being preferred to senior unsecured debt. Because de Volksbank's deposits are mainly retail in nature, we assume 90% of them will be preferred (and 10% being junior) in an event of failure.

De Volksbank has to comply (by January 2020) with a non-risk weighted MREL of 8.0% of total liabilities and own funds (TLOF), which the bank intends to fulfill entirely with subordinated instruments. In this regard, de Volksbank expects to issue €1.0 billion-€1.5 billion of junior senior debt in total over the next five years. The bank's non-risk weighted MREL ratio was 6.2% (excluding senior unsecured debt) as of the end of June 2019. In addition, as de Volksbank is considered an other systemically important institution (OSII), its subordinated instruments must be at least 17.5% of its risk-weighted assets.

- » Our LGF analysis indicates a moderate loss given failure for deposits and senior unsecured debt, which gives no uplift above the bank's Adjusted BCA.
- » Our LGF analysis indicates a high loss given failure for subordinated debt, leading us to make a negative adjustment of one notch below the bank's Adjusted BCA.

The moderate loss given failure for deposits and senior unsecured debt is explained by the small amount of subordination, benefiting these instruments as well as the limited volume of both junior deposits and senior debt outstanding. Future issuance of junior senior debt, which the bank expects to do in the coming years and is confirmed, could possibly lower the loss given failure of deposits and senior unsecured debt to low from moderate at present.

Government support considerations

We consider de Volksbank a systemically important institution and thus believe that there is a moderate probability of government support for junior deposits and senior unsecured debt, resulting in a one-notch uplift from the bank's BCA. For other junior securities, we assume a low government support probability, and, therefore, the ratings for these instruments do not include any related uplift.

Counterparty Risk Rating (CRR)

CRRs are opinions of the ability of entities to honor the uncollateralized portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honored. CRR liabilities typically relate to transactions with unrelated parties. Examples of CRR liabilities include the uncollateralized portion of payables arising from derivatives transactions and the uncollateralized portion of liabilities under sale and repurchase agreements. CRRs are not applicable to funding commitments or other obligations associated with covered bonds, letters of credit, guarantees, servicer and trustee obligations, and other similar obligations that arise from a bank performing its essential operating functions.

De Volksbank's CRRs are positioned at A1/Prime-1

The CRRs for de Volksbank, before government support, are two notches higher than the adjusted BCA of baa1, based on the level of subordination to CRR liabilities in the bank's balance sheet, and assuming a nominal volume of CRR liabilities themselves. The CRRs also benefit from one notch of government support, in line with our support assumptions on deposits and senior unsecured debt.

Counterparty Risk (CR) Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default, and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

De Volksbank's CR Assessment is positioned at Aa3(cr)/Prime-1(cr)

The CR Assessment includes three notches of uplift from the bank's BCA of baa1, based on the buffer against default provided by subordinated instruments and, in line with our support assumptions on deposits and senior unsecured debt, one notch of government support to the senior obligations represented by the CR Assessment. The main difference with our Advanced LGF approach, used to determine instrument ratings, is that the CR Assessment captures the probability of default on certain senior obligations, rather than expected loss, therefore, we focus purely on subordination and take no account of the volume of the instrument class.

Rating methodology and scorecard factors

Exhibit 3

De Volksbank N.V.

Macro Factors

Weighted Macro Profile	Strong +	100%				
Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	1.4%	aa3	↔	a1	Quality of assets	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	38.9%	aa1	↔	aa3		
Profitability						
Net Income / Tangible Assets	0.5%	ba1	↔	ba1	Earnings quality	
Combined Solvency Score		a1		a2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	12.4%	a2	↔	a3	Deposit quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	12.3%	ba1	↔	baa2	Quality of liquid assets	
Combined Liquidity Score		baa1		baa1		
Financial Profile				a3		
Qualitative Adjustments				Adjustment		
Business Diversification				-1		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				-1		
Sovereign or Affiliate constraint				Aaa		
Scorecard Calculated BCA range				a3 - baa2		
Assigned BCA				baa1		
Affiliate Support notching				0		
Adjusted BCA				baa1		

Balance Sheet	in-scope (EUR Million)				% in-scope		at-failure (EUR Million)		% at-failure	
Other liabilities	8,736				14.6%		11,998		20.1%	
Deposits	46,596				78.0%		43,334		72.5%	
Preferred deposits	41,936				70.2%		39,840		66.7%	
Junior deposits	4,660				7.8%		3,495		5.8%	
Senior unsecured bank debt	2,139				3.6%		2,139		3.6%	
Dated subordinated bank debt	500				0.8%		500		0.8%	
Equity	1,793				3.0%		1,793		3.0%	
Total Tangible Banking Assets	59,764				100.0%		59,764		100.0%	
Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF	Assigned	Additional	Preliminary
	Instrument	Sub-	Instrument	Sub-	De Jure	De Facto	Notching	LGF	Notching	Rating
	volume +	ordination	volume +	ordination			Guidance	notching		Assessment
	subordination		subordination				vs.			
							Adjusted			
							BCA			
Counterparty Risk Rating	13.3%	13.3%	13.3%	13.3%	3	3	3	2	0	a2
Counterparty Risk Assessment	13.3%	13.3%	13.3%	13.3%	3	3	3	3	0	a1 (cr)
Deposits	13.3%	3.8%	13.3%	7.4%	1	1	1	0	0	baa1
Senior unsecured bank debt	13.3%	3.8%	7.4%	3.8%	1	-1	0	0	0	baa1
Dated subordinated bank debt	3.8%	3.0%	3.8%	3.0%	-1	-1	-1	-1	0	baa2

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	2	0	a2	1	A1	A1
Counterparty Risk Assessment	3	0	a1 (cr)	1	Aa3(cr)	
Deposits	0	0	baa1	1	A3	A3
Senior unsecured bank debt	0	0	baa1	1	A3	A3
Dated subordinated bank debt	-1	0	baa2	0	Baa2	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Investors Service

Ratings

Exhibit 4

Category Moody's Rating

DE VOLKSBANK N.V.

Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A3/P-2
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Senior Unsecured	A3
Subordinate -Dom Curr	Baa2
Commercial Paper -Dom Curr	P-2
Other Short Term -Dom Curr	(P)P-2

Source: Moody's Investors Service

Endnotes

- 1 This guarantee is limited to mortgage loans for a maximum house price of €265,000 and thus primarily benefits first-time buyers.
- 2 As of year-end 2014, the CET1 ratio was 15.6%
- 3 Based on the balance sheet as of the end of June 2019.
- 4 The bank recently set its CET1 ratio target at 19%, up from 15% previously.
- 5 Adjusted for the impact of incidental items and regulatory levies.

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