

Rating Action: Moody's affirms BNG Bank's long-term deposit and senior unsecured debt ratings at Aaa

04 May 2018

Short-term ratings affirmed at Prime-1

London, 04 May 2018 -- Moody's Investors Service today affirmed the long-term deposit, issuer and senior unsecured debt ratings of N.V. Bank Nederlandse Gemeenten (BNG Bank) at Aaa with a stable outlook, and its short-term deposit and Commercial Paper ratings at Prime-1. Moody's also affirmed the bank's baseline credit assessment (BCA) at a1, as well as its long-term and short-term Counterparty Risk Assessment (CR Assessments) at Aaa(cr) and Prime-1(cr) respectively.

A full list of affected ratings can be found at the end of this press release.

RATINGS RATIONALE

The BCA of a1 reflects (1) the bank's role as the largest lender to the Dutch public sector; (2) its entrenched franchise in a niche market which results in exceptional stability in its fundamentals; (3) its very high asset quality because its portfolio is mostly comprised of loans to Dutch public entities; (4) its high capitalisation; and (5) its adequate funding profile and liquidity position with limited maturity mismatches.

BNG Bank's Aaa deposit and senior unsecured ratings reflect (1) the bank's a1 standalone credit strength; (2) the application of our Advanced Loss Given Failure (LGF) analysis, resulting in a two-notch LGF uplift from the bank's Adjusted BCA of a1, given its significant volume of senior unsecured debt; and (3) government support uplift of two notches, reflecting a very high support probability from the government of the Netherlands (Aaa stable), in view of the bank's public ownership and its role as one of the main providers of financing to the Dutch public sector.

The Counterparty Risk Assessment of Aaa(cr)/Prime-1(cr) assigned to BNG Bank is four notches above the bank's BCA, reflecting the substantial volume of bail-in-able liabilities protecting its operating obligations and the very high probability of government support.

Moody's does not expect any significant change in BNG Bank's creditworthiness in the near-term, as reflected in the stable outlook on the bank's ratings. Moody's view is also underpinned by a benign economic environment in the Netherlands.

WHAT COULD CHANGE RATINGS UP/DOWN

Upward pressure on BNG Bank's BCA could result from a lower reliance on wholesale funding, however this is unlikely given the bank's business model. An upgrade of the bank's BCA will not trigger any upgrade of the bank's deposit and senior unsecured ratings, which are already at Aaa.

Downward pressure on BNG Bank's BCA could result from (1) a deterioration in the creditworthiness of the Dutch public sector; (2) a significant increase in the bank's non-0% risk weighted assets; (3) a significant increase in its funding gaps; or (4) a deterioration in its solvency. A downward movement of the bank's BCA could result in downgrades of all ratings. BNG Bank's ratings could also be downgraded if the ratings of the government of the Netherlands were downgraded.

LIST OF AFFECTED RATINGS

Issuer: N.V. Bank Nederlandse Gemeenten

..Affirmations:

....Adjusted Baseline Credit Assessment, affirmed a1

....Baseline Credit Assessment, affirmed a1

.Long-term Bank Deposit, affirmed Aaa Stable
...Short-term Bank Deposit, affirmed P-1
...Long-term Issuer Rating, affirmed Aaa Stable
...Senior Unsecured Regular Bond/Debenture, affirmed Aaa Stable
...Senior Unsecured Medium-Term Note Program, affirmed (P)Aaa
...Commercial Paper, affirmed P-1
...Long-term Counterparty Risk Assessment, affirmed Aaa(cr)
...Short-term Counterparty Risk Assessment, affirmed P-1(cr)
..Outlook Action:
...Outlook remains Stable

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in April 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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