MOODY'S
INVESTORS SERVICE

Rating Action: Rating action: Moody's concludes review on six Dutch banks' ratings

Global Credit Research - 28 May 2015

Actions conclude methodology and support-related review; CR Assessments assigned to eight banks

London, 28 May 2015 -- Moody's Investors Service has today concluded its rating reviews on six Dutch banks. These reviews were initiated on 17 March 2015 (see press release at https://www.moodys.com/research/Moodys-reviews-global-bank-ratings--PR_321005), following the publication of Moody's new bank rating methodology (see "Banks," 16 March 2015, available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_179038), and also reflect revisions in Moody's government support assumptions.

Moody's rating actions on Dutch banks reflect the following considerations: (1) the 'Strong +' Macro Profile of the Netherlands; (2) the Dutch banks' generally strong core financial metrics; (3) the protection offered to senior creditors by substantial volumes and subordination of bail-in-able securities, as captured by Moody's Advanced Loss Given Failure (LGF) liability analysis; and (4) the reduced likelihood of government support for these institutions.

Moody's has upgraded the baseline credit assessment (BCA) of one bank and upgraded four long-term deposit ratings, and two long-term senior unsecured debt ratings. It has affirmed six BCAs, four long-term deposit ratings and five long-term senior unsecured debt ratings. Moody's also affirmed all the short-term deposit and debt ratings for the eight Dutch banks involved in this action. At the same time, Moody's downgraded the BCA of one bank and downgraded one long-term senior unsecured debt rating. Moody's has also assigned Counterparty Risk Assessments (CR Assessments) to the eight banks and their branches, in line with its new bank rating methodology.

For its own business reasons, Moody's has withdrawn the outlooks for all of the junior instrument ratings for the banks covered in this press release. Please refer to "Moody's Investors Service's Policy for Withdrawal of Credit Ratings", available at moodys.com. Outlooks, which indicate the direction of any rating pressures, are now assigned only to long-term senior debt and deposit ratings.

Moody's has not concluded its reviews on three Dutch banks -- Amsterdam Trade Bank N.V., Demir-Halk Bank (Nederland) N.V. and GarantiBank International N.V. -- and expects to conclude the reviews on these entities by the end of June.

For more information on the new bank rating methodology, please see Moody's press release at

https://www.moodys.com/research/Moodys-reviews-global-bank-ratings--PR_321005.

Please click on the following link to access the full list of affected credit ratings. This list is an integral part of this press release and identifies each affected issuer:

http://www.moodys.com/viewresearchdoc.aspx?docid=PBC_181748

RATINGS RATIONALE

The new methodology includes a number of elements that Moody's has developed to help more accurately predict bank failures and determine how each creditor class is likely to be treated when a bank fails and enters resolution. These new elements capture insights gained from the crisis and the fundamental shift in the banking industry and its regulation.

(1) THE NETHERLANDS' "STRONG +" MACRO PROFILE

Dutch banks benefit from operating in a wealthy and developed country with a very high degree of economic, institutional and government financial strength as well as very low susceptibility to event risk. The main risks to the Dutch banking system stem from (1) the household sector's high leverage, with residential mortgage debt exceeding 100% of GDP, offset in part by significant savings; and (2) the commercial real-estate sector and

SMEs, which have been materially affected by a weak economic environment.

The Dutch banking system is materially reliant on wholesale funding, which Moody's considers a credit weakness. Compared to other European countries, it has a relatively low stock of bank deposits because of the legal regime that requires Dutch households to invest a large portion of their savings in pension funds, some of which is returned to the banking sector in the wholesale markets.

(2) DUTCH BANKS' STRONG CORE FINANCIAL METRICS

The banks' median BCA falls between baa2 and baa3 (BCAs range from a1 to b1) which reflects (1) their generally strong core financial metrics including their moderate risk profiles, strongly focused for the largest players on traditional commercial and retail banking; (2) sound liquidity despite their reliance on wholesale funding; and (3) substantial loss absorption capacity through earnings, loan-loss reserves and, ultimately, capital. Although the Dutch banks' asset quality and profitability suffered from the deterioration in the domestic operating environment over the past two years, Moody's expects that the early signs of recovery observed in the Dutch economy since 2014 will translate into improved performance over the coming months.

(3) PROTECTION OFFERED TO SENIOR CREDITORS, AS CAPTURED BY MOODY'S ADVANCED LGF LIABILITY ANALYSIS

Dutch banks are subject to the EU Bank Resolution and Recovery Directive (BRRD), which Moody's considers to be an Operational Resolution Regime. Accordingly, Moody's applies its Advanced LGF analysis to these banks' liability structures. This analysis results in a very low loss given failure for long-term deposits and senior debt in most cases (reflected in an average two-notch uplift from the Adjusted BCA) taking into account the protection offered by the banks' sizeable volumes of deposits and senior debt, and the amount of debt subordinated to both senior debt and deposits.

(4) REDUCED LIKELIHOOD OF GOVERNMENT SUPPORT

Moody's has also lowered its expectations about the degree of support that a government might provide to a bank in Europe. The main trigger for this reassessment is the introduction of the BRRD in the EU, which went into effect in January 2015 and is currently being transposed to local law in each European jurisdiction. This has resulted in a reduction in government support uplift included in Moody's senior debt and deposit rating, to one notch for those Dutch banks considered systemically important. The impact of this is wholly or in some cases more than offset by the recognition of low loss given failure described above.

ASSIGNMENT OF COUNTERPARTY RISK ASSESSMENTS

As part of today's actions, Moody's has assigned CR Assessments to eight banks and their branches. 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 the likelihood of default and the expected financial loss incurred 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 (e.g., swaps), letters of credit, guarantees and liquidity facilities.

Moody's CR Assessments for banks subject to a going-concern operational resolution regime, which includes all Dutch banks, start with the banks' adjusted BCA and use an advanced LGF approach that takes into account the volume of liabilities subordinated to counterparty obligations in the bank's liability structure as well as any assumption of government support.

As a result, the CR Assessments for six of the banks is one notch higher than their deposit ratings, reflecting Moody's view that, in the event of a resolution, authorities are likely to honor the operating obligations the CR Assessment refers to in order to preserve a bank's critical functions and reduce potential for contagion.

In the case of Bank Nederlandse Gemeenten N.V. and Nederlandse Waterschapsbank N.V., given that their long-term deposit ratings are already at Aaa, Moody's has assigned long-term CR Assessments of Aaa(cr) to these banks.

SPECIFIC ANALYTICAL FACTORS FOR THE EIGHT BANKS

- ABN AMRO Bank N.V. (ABN AMRO)

The affirmation of ABN AMRO's BCA at baa2 reflects the bank's overall good financial fundamentals including solid capitalization and a comfortable liquidity position. It further captures the bank's strong franchise in the Dutch market and its balanced business mix between retail and commercial banking. The BCA is also supported by early signs of recovery in the Dutch operating environment, which, although still somewhat limited, reduces the threat of further deterioration in the bank's asset risk, as evidenced by the material decrease in credit costs observed since mid-2014.

Moody's affirmed the bank's deposit and senior unsecured ratings at A2/Prime-1, reflecting (1) the bank's standalone credit strength of baa2; (2) the application of the Advanced LGF analysis, which, given the bank's significant volumes of senior debt and junior deposits, results in a two-notch uplift from the adjusted BCA of baa2, and (3) government support uplift of one notch reflecting a "moderate" probability of support.

Moody's assigned a A1(cr)/Prime-1(cr) CR Assessment to ABN AMRO, four notches above the BCA, reflecting the substantial volume of bail-in-able liabilities protecting operating obligations as well as a moderate probability of government support.

- ING Bank N.V. (ING Bank)

Moody's has affirmed ING Bank's BCA at baa1, which reflects the bank's strong franchise in the Benelux region and Germany, a good degree of geographical diversification, sound profitability despite elevated credit costs, adequate capitalisation and sound liquidity. These strengths are, however, partly offset by the asset quality risk stemming from the challenging operating environment in the Netherlands, which has nevertheless improved since mid 2014.

The bank's long-term debt and deposit ratings were upgraded to A1 from A2 and its short-term rating were affirmed at Prime-1. This results from (1) the bank's standalone BCA of baa1, (2) the application of Moody's Advanced Loss Given Failure (LGF) analysis, leading to a two-notch uplift from the baa1 BCA, and (3) a one-notch uplift for government support (from two notches previously), reflecting a moderate probability of government support. The outlook on the long-term ratings is stable.

Moody's assigned a Aa3(cr)/Prime-1(cr) CR Assessment to ING Bank, four notches above the BCA, reflecting the substantial volume of bail-in-able liabilities protecting operating obligations as well as a moderate probability of government support.

Moody's has also downgraded the senior unsecured debt rating of the parent company ING Groep N.V. to Baa1 from A3, based on the LGF analysis, which suggests a moderate loss-given-failure given the significant amount of junior securities issued by ING Bank N.V. and ING Groep N.V.. This results in a rating of Baa1, in line with the bank's BCA, which incorporates no uplift for government support as Moody's considers the probability of government support being provided to holding company creditors to be low.

- Rabobank Nederland (Rabobank)

The downgraded of Rabobank's BCA to a2 from a1 reflects the deterioration of the bank's relative positioning versus peers after a period of lackluster operating results. The BCA is still supported by the bank's leading position in the Dutch banking sector and strong franchise in the agribusiness sector worldwide, as well as its focus on domestic retail banking. Nonetheless, the bank's financial results have been impacted by elevated loan loss provisions, notably related to Dutch commercial real estate, and a number of large extraordinary items since 2012. Despite reporting improved underlying results in the second half of 2014, Moody's believes that the bank's profitability will not improve significantly in 2015 due to modest revenue growth and a cost of risk above its historical average. In this regard, although the fundamentals of the bank still feature sound asset quality and relatively stable profitability, they are now more consistent with a BCA of a2.

Moody's confirmed Rabobank's long-term debt and deposit ratings at Aa2 with stable outlooks. This results from (1) the bank's standalone BCA of a2, (2) the application of Moody's Advanced LGF analysis, resulting in a two-notch uplift from the a2 BCA, and (3) government support uplift of one notch, reflecting a moderate probability of support. Concurrently, the bank's short-term debt and deposit ratings were affirmed at Prime-1.

Moody's assigned a Aa1(cr)/Prime-1(cr) CR Assessment to Rabobank, four notches above the BCA, reflecting the substantial volume of bail-in-able liabilities protecting operating obligations as well as the moderate probability of government support.

- SNS Bank N.V. (SNS Bank)

SNS Bank's BCA was affirmed at ba1. This reflects the stabilisation in the bank's asset quality and profitability following the measures implemented after its nationalisation and improved credit conditions in the Netherlands, the bank's progress towards re-establishing its domestic franchise, and its strong capitalisation. The BCA also takes into account the bank's relatively high leverage compared to some of its peers and a funding profile that is not yet commensurate with a higher BCA, despite its solid liquidity.

The bank's long-term deposit rating was upgraded to Baa1 from Baa2, the senior unsecured debt rating was confirmed at Baa2 and its short-term rating was affirmed at Prime-2. These rating actions reflect the bank's standalone credit strength of ba1, and the application of Moody's Advanced LGF analysis, which results in uplift of two and one notches for the long-term deposit and senior unsecured debt ratings, respectively, from the BCA. In addition, Moody's includes a one-notch uplift for government support (from two notches previously), reflecting a moderate probability of government support. The outlook on the long-term deposit and debt ratings is positive, reflecting the expected improvements in the bank's credit fundamentals.

Moody's assigned a A3(cr)/Prime-2(cr) CR Assessment to SNS Bank, four notches above the BCA, reflecting the substantial volume of bail-in-able liabilities protecting operating obligations as well as a moderate probability of government support.

- Bank Nederlandse Gemeenten N.V. (BNG Bank)

Moody's affirmed BNG Bank's BCA at a1, which reflects (1) the bank's very strong asset quality due to the fact that the bulk of its lending is to public sector entities; (2) its role as the largest lender to the Dutch public sector; (3) its high capitalization; and (4) its adequate funding profile and liquidity position despite maturity mismatches.

Moody's also affirmed the bank's long-term deposit and senior unsecured debt ratings at Aaa with stable outlooks, reflecting (1) the a1 bank's standalone credit strength, (2) the application of Moody's Advanced LGF analysis, resulting in a two-notch uplift from the BCA of a1 given the significant volumes of senior debt, and (3) government support uplift of two notches, reflecting a "very high" probability of support from the Dutch national government (Aaa stable) due to the entity's public ownership and its role as the principal financier of the Dutch public sector.

Moody's assigned a Aaa(cr)/Prime-1(cr) CR Assessment to BNG Bank, four notches above the BCA, reflecting the substantial volume of bail-in-able liabilities protecting operating obligations as well as a very high probability of government support.

- Nederlandse Waterschapsbank N.V. (NWB Bank)

The upgrade of NWB Bank's BCA to a1 from a2 primarily reflects Moody's revised view of the bank's liquidity profile in the context of the new bank rating methodology. The relatively small size of NWB Bank's liquid securities portfolio is broadly mitigated by the eligibility of the bulk of its lending portfolio for central bank refinancing. By limiting the size of its securities portfolio, the bank has avoided taking additional credit risk and has been able to preserve a very strong asset quality. The upgrade of the BCA also takes into account the bank's improved profitability thanks to the recent repricing of loans.

NWB Bank's BCA now reflects (1) the bank's very strong asset quality due to the fact that the bulk of its lending is to public sector entities; (2) its role as the second largest lender to the Dutch public sector; (3) its high capitalization; and (4) its adequate funding profile and liquidity position despite some maturity mismatches.

Moody's affirmed NWB Bank's long-term deposit and senior unsecured ratings at Aaa with a stable outlook, which reflects (1) the bank's standalone credit strength of a1; (2) the application of Moody's Advanced LGF analysis, resulting in a two-notch uplift from the BCA of a1 given the significant volumes of senior debt; and (3) government support uplift of two notches, reflecting a "very high" support probability from the Dutch national government (Aaa stable) due to the entity's public ownership and its role as one of the principal financiers of the Dutch public sector.

Moody's assigned a Aaa(cr)/Prime-1(cr) CR Assessment to NWB Bank, four notches above the BCA, reflecting the substantial volume of bail-in-able liabilities protecting operating obligations as well as a very high probability of government support.

- Credit Europe Bank N.V. (CEB NV)

CEB NV's BCA was affirmed at b1, reflecting the constraints created by the bank's weakening Russian subsidiary Credit Europe Bank Limited (CEBL), which represented 23% of CEB NV's consolidated assets and 34% of its net profit in 2014.

Moody's upgraded CEB NV's long-term deposit rating to Ba2 from B1. This results from (1) the bank's standalone BCA of b1; (2) the application of Moody's Advanced LGF analysis, resulting in a two-notch uplift from the b1 BCA; and (3) no uplift for government support, reflecting a low probability of support. The outlook on the long-term deposit rating is negative. Concurrently, the short-term deposit rating was affirmed at Not Prime.

Moody's assigned a Ba1(cr)/Not Prime(cr) CR Assessment to CEB NV, three notches above the BCA, reflecting the substantial volume of bail-in-able liabilities protecting operating obligations as well as the low probability of government support.

- LeasePlan Corporation N.V. (LeasePlan)

The affirmation of LeasePlan's BCA at baa2 reflects the company's strong franchise in fleet management, strong geographical and customer diversification, and its stable profitability. The baa2 BCA also reflects the company's effective management of considerable residual value risk, which is inherent to LeasePlan's business. The company's reliance on wholesale funding is a moderate constraint on the BCA, despite diversified funding sources and an adequate liquidity profile.

LeasePlan's long-term debt and deposit ratings were upgraded to A3 from Baa2. This results from (1) the bank's standalone BCA of baa2; (2) the application of Moody's Advanced LGF analysis, resulting in a two-notch uplift from the baa2 BCA; and (3) a low probability of government support, with no associated uplift to the ratings. The outlook on the long-term debt and deposit ratings is stable. Concurrently, the short-term debt and deposit ratings were affirmed at Prime-2.

Moody's assigned a A2(cr)/Prime-1(cr) CR Assessment to LeasePlan, three notches above the BCA, reflecting the substantial volume of bail-in-able liabilities protecting operating obligations as well as the low probability of government support.

WHAT COULD CHANGE THE RATINGS UP/DOWN

An upgrade of the long-term debt and deposit ratings of the Dutch banks involved in this action could result from various factors, the most likely being (1) further improvements in asset quality as the domestic operating environment recovers; (2) a sustainable and significant improvement in the banks' profitability; and/or (3) further improvement in their solvency, particularly in terms of nominal leverage ratio.

The ratings could be downgraded if (1) the macroeconomic environment does not improve and asset quality and/or credit underwriting standards deteriorate noticeably; (2) revenue and profitability pressures intensify, especially if the low interest-rate environment persists; and/or (3) the banks' capital and/or liquidity position were to deteriorate.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in March 2015. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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Andrea Usai
VP - Senior Credit Officer
Financial Institutions Group
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Nicholas Hill
Managing Director
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

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