Creditreform Bank Rating

N.V. Bank Nederlandse Gemeenten (Group)

Creditreform Rating
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Rating object	Rating information	
N.V. Bank Nederlandse Gemeenten (Group)	**Long Term Issuer Rating / Outlook:** AAA / Stable	**Short Term:** L1

Creditreform ID: 46721
Incorporation: 1914
(Main-) Industry: Banks
Management: Gita Salden (Chair of the Executive Board)

Rating of Bank Capital and Unsecured Debt Instruments:

Senior Unsecured	Tier 2	Additional Tier 1
AAA	A+	A

Rating Date: **06 April 2018**
Monitoring until: withdrawal of the rating
Rating Type: **unsolicited**
Rating Methodology: bank ratings; rating of bank capital and unsecured debt instruments; government-related banks

Contents

SWOT-Analysis

Strengths

+ High probability of support by the government of the Netherlands
+ Leading lender to the Dutch public sector
+ Outstanding asset quality
+ Sound earning figures
+ Remarkable capital ratios and capitalization in peer group comparison
+ Relatively low NPL ratio
+ Sufficient liquidity
+ Stabilization through public shareholder

Weaknesses

- Credit concentration risk due to the relationship to public authorities in the Netherlands
- Limited possibilities for diversification
- Low interest margin

Opportunities / Threats

+ Increasing need for financial funding on part of public authorities
- Dependency on the public authorities of the Netherlands
- Regulatory requirements compromise the role of public authorities as guarantor
- Low-interest policy of the ECB puts pressure on profitability
- Increasing banking regulation leads to rising costs

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Company Overview

The N.V. Bank Nederlandse Gemeenten (referred to as BNG) is the fifth largest bank in the Netherlands in terms of total assets. The headquarters of the BNG are located in The Hague and the bank is without any other branches. BNG´s origin goes back to the year 1914. With 308 employees at the end of 2017, BNG reached total assets of €140 billion in 2017. The bank´s shareholders are exclusively public authorities of the Netherlands, whereby half of the banks share capital is held by the Dutch State and the other half by municipal authorities, provincial authorities and a district water board. Furthermore, BNG´s articles of association allow only public shareholders.

BNG operates in the Netherlands as a National Promotional Bank. Its objective is to support government policies by providing financing/loans to public sector institutions and local authorities in the Netherlands in order to minimize financing costs. The bank acts primarily in the area of housing, healthcare, education and public utilities. Moreover, BNG participates in public-private partnerships in the Netherlands. The bank provides principally customized financial services ranging from loans, advances and funds transfers to consultancy, as well as electronic banking and investments.

BNG has two subsidiaries, both fully owned by BNG. BNG Gebiedsontwikkeling BV provides capital to public authorities and participates directly or indirectly in projects, either with or on behalf of public authorities or institutions affiliated with public authorities, whereas the objective of Hypotheekfonds voor Overheidspersoneel BV (HVO) is the financing of mortgage loans taken out by civil servants employed by an affiliated public or semi-public institution with which a cooperation agreement has been reached. However, HVO stopped issuing new mortgages after 2013.

As a result of the aforementioned facts, we consider the BNG as a government-related bank and take that into account of our analysis.

The detailed breakdown of BNG's long-term loan portfolio by business areas is as follows:

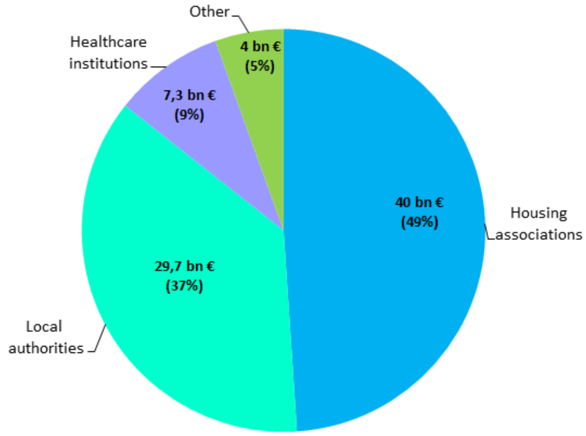

Chart 1: Long-term loan portfolio of BNG in 2017
(Source: Annual Report 2017 of BNG)

Business Development

Profitability

BNG´s operating income amounted to €643 million in 2017 and increased by 9.4% in a year-over-year comparison (€55 million). Net interest income contributed by far the largest share to operating income, accounting for 67.7%, and increased by 7.4% compared to the previous year (€30 million) due to lower interest expenses (largely because of lower short term funding costs in US dollar). Net trading income accounted for 28.1% of operating income and increased significantly by 53.4% YOY (€63 million). The volatility in this position and the surplus in 2017 are mainly results of hedging operations and changes in counterparty credit risk of derivatives. BNG does not have a trading book. Fees and commissions consist primarily of commission income from loans and payment services, which accounted for only 3.6% of operating income in 2017 and remained roughly unchanged in comparison to the previous years.

Operating expenses amounted to €117 million in 2017 and remained constant in a year-over-year comparison. Personnel expenses accounted for 37.6% of total expenses, increasing by 15.8% YOY (€6 million). However, the general increase in BNG operating expenses over the past years is due to its contribution to the resolution fund related with the bank recovery and resolution directive (BRRD) since 2015 and the imposed bank levy in the Netherlands.

BNG´s operating result amounted to €526 million in the fiscal year 2017. Asset write-downs amounted to -€10 million in 2017. The negative result for asset write-downs is mainly caused by the reversal of impairments which had already previously been written down in relation with a Spanish securitization in 2017 and the HETA bond claims in 2016. After deduction of taxes the operating net profit increased by 6.5% YOY (€24 million) to an amount of €393 million.

A detailed group income statement for the years 2014 - 2017 can be found in figure 1 below:

Income Statement	2014	%	2015	%	2016	%	2017	%
Income (€000)								
Net Interest Income	444,000	152.6%	450,000	90.2%	405,000	68.9%	435,000	67.7%
Net Fee & Commission Income	29,000	10.0%	28,000	5.6%	24,000	4.1%	23,000	3.6%
Net Insurance Income	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Net Trading Income	-187,000	-64.3%	16,000	3.2%	118,000	20.1%	181,000	28.1%
Equity Accounted Results	1,000	0.3%	2,000	0.4%	4,000	0.7%	2,000	0.3%
Dividends from Equity Instruments	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Rental Revenue	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Lease and Rental Revenue	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Other Noninterest Income	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Operating Income	**291,000**	**100%**	**499,000**	**100%**	**588,000**	**100%**	**643,000**	**100%**
Expenses (€000)								
Depreciation and Amortisation	2,000	2.1%	2,000	1.8%	2,000	1.7%	2,000	1.7%
Personnel Expense	38,000	39.2%	38,000	33.6%	38,000	32.5%	44,000	37.6%
Occupancy & Equipment	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Tech & Communications Expense	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Marketing and Promotion Expense	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Other Provisions	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Other Expense	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Operating Expense	**97,000**	**100%**	**113,000**	**100%**	**117,000**	**100%**	**117,000**	**100%**
Operating Profit & Impairment (€000)								
Pre-impairment Operating Profit	**194,000**		**386,000**		**471,000**		**526,000**	
Asset Writedowns	15,000		72,000		-32,000		-10,000	
Net Income (€000)								
Nonrecurring Revenue	NA		NA		NA		NA	
Nonrecurring Expense	NA		NA		NA		NA	
Pre-tax Profit	**179,000**		**314,000**		**503,000**		**536,000**	
Income Tax Expense	53,000	29.6%	88,000	28.0%	134,000	26.6%	143,000	26.7%
Discontinued Operations	0		0		0		0	
Net Profit	**126,000**		**226,000**		**369,000**		**393,000**	

Figure 1: Group income statement
(Source: S&P Global Market Intelligence)

The values for ROAA and RoRWA of BNG improved slightly in comparison to the last year, primarily due to the increased profit in the fiscal year 2017, whereas the value of ROAE deteriorated YOY. However, the peer group was able to improve in all of the three mentioned ratios more distinct. Nevertheless, BNG´s ROAE and RoRWA are above average of the peer group, whereas the banks value of ROAA is below average of its peers.

By contrast, BNG´s net interest margin is roughly constant over the past years, however it's considerably worse than that of its peer group, and is additionally the worst of the bank's figures in the area of earning figures. Against this, the banks cost income ratios are extremely competitive and well above the average of the peer group even though they have worsened slightly year-over-year.

The development of the key earnings figures for the years 2014 - 2017 is detailed as follows:

Income Ratios (%)	2014	%	2015	%	2016	%	2017	%
Return on Average Assets (ROAA)	0.09	-0.12	0.15	0.06	0.24	0.09	0.27	0.02
Return on Equity (ROAE)	3.59	-5.56	5.84	2.24	8.53	2.70	8.33	-0.21
RoRWA	1.09	-1.35	1.85	0.76	2.94	1.09	3.28	0.34
Net Interest Margin	0.31	-0.08	0.30	-0.01	0.27	-0.03	0.30	0.03
Cost income Ratio ex. Trading	20.29	2.88	23.40	3.10	24.89	1.50	25.32	0.43
Cost income Ratio	33.33	15.76	22.65	-10.69	19.90	-2.75	18.20	-1.70
Change in %-Points								

Figure 2: Group key earnings figures
(Source: S&P Global Market Intelligence)

Asset Situation and Asset Quality

BNG`s financial assets accounted for almost 100% of total assets, decreasing by 9% in a year-over-year comparison (€13,969 million). Net loans to customers represent the largest share of financial assets, accounting for 61.4%, and declined slightly by 1.8% YOY (€1,568 million). The vast majority of these loans are long term loans granted to or guaranteed by public authorities. The reduction in customer loans is mainly due to a reduction of the demand of public authorities in these loans.
Total securities, consists primarily of derivatives and interest bearing securities (issued by government) decreased in a year-over-year comparison by almost 23.3% and amounted to €36.9 billion in the fiscal year 2017. The tremendous decline in this item is mainly a result of a stronger euro against the dollar and its impact on BNG´s derivatives. In addition, the fall in long-term interest rates resulted in a decrease of the value adjustments on loans in portfolio hedge accountings of BNG. However, net loans to banks increased by 18.6% YOY (€2,202 million), whereas cash and balances with central banks reduced by 53.5% YOY (€3,421 million).

BNG´s total assets amounted to €140 billion in 2017, decreasing by 9% YOY (€13,975 million).

The development of assets of BNG for the years 2014 - 2017 is shown in detail in the following:

Assets (€000)	2014	%	2015	%	2016	%	2017	%
Cash and Balances with Central Banks	2,241,000	1.5%	3,175,000	2.1%	6,417,000	4.2%	2,996,000	2.1%
Net Loans to Banks	11,046,000	7.2%	10,540,000	7.0%	11,795,000	7.7%	13,997,000	10.0%
Net Loans to Customers	90,732,000	59.1%	89,366,000	59.8%	87,576,000	56.9%	86,008,000	61.4%
Total Securities	49,262,000	32.1%	46,272,000	30.9%	48,093,000	31.2%	36,911,000	26.4%
Financial Assets	**153,281,000**	**100%**	**149,353,000**	**100%**	**153,881,000**	**100%**	**139,912,000**	**100%**
Equity Accounted Investments	54,000	0.0%	47,000	0.0%	46,000	0.0%	47,000	0.0%
Other Investments	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Insurance Assets	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Noncurrent Assets HFS & Discontinued Ops	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Tangible and Intangible Assets	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Tax Assets	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Total Other Assets	154,000	0.1%	95,000	0.1%	56,000	0.0%	19,000	0.0%
Total Assets	**153,505,000**	**100%**	**149,511,000**	**100%**	**154,000,000**	**100%**	**140,025,000**	**100%**

Figure 3: Development of assets
(Source: S&P Global Market Intelligence)

BNG´s NPL ratio (0.04%), as well as the NPL / RWA ratio of 0.33%, are exceedingly lower than those of its peers and even improved YOY. Moreover, BNG´s reserves / impaired loans ratio improved markedly in comparison to the previous year, by 84.7 percentage points, and is now way above the average of the peer group. The reason for the extraordinary improvement in this position is a significant decrease of impaired loans exposure as one of BNG´s clients become in 2017 performing again.
BNG´s RWA ratio of 8.3% is significant lower than that of the peer group average and remained stable at an outstanding level. Here it becomes clear that BNG benefits from the 0% risk-weighting of its public financial assets.

Overall, BNG´s asset quality is at a very competitive level. Moreover, BNG`s asset figures are the best performers in any of the areas analyzed.

The development of asset quality for the years 2014 - 2017 is detailed as follows:

Asset-Quality (%)	2014	%	2015	%	2016	%	2017	%
Non Performing Loans (NPL) / Loans	0.13	0.04	0.14	0.02	0.16	0.01	0.04	-0.11
NPL / RWA	0.98	0.28	0.99	0.01	1.11	0.12	0.33	-0.78
Potential Problem Loans / NPL	NA	NA	NA	NA	NA	NA	NA	NA
Reserves / Impaired Loans	55.21	NA	73.13	17.93	32.56	-40.58	117.24	84.68
Net Write-offs / Risk-adjusted Assets	NA	NA	NA	NA	NA	NA	NA	NA
Risk-weighted Assets/ Assets	7.61	-1.18	8.56	0.95	8.01	-0.55	8.31	0.31
Change in %-Points								

Figure 4: Development of asset quality
(Source: S&P Global Market Intelligence)

Refinancing and Capital Quality

BNG´s financial liabilities accounted for almost 100% of total liabilities in 2017 and decreased by 9.6% (€14,431 million) compared to the previous year. Total debt represents the largest share of financial liabilities with 77.8%, decreasing by 7.3% YOY (€8,299 million), and consists primarily of senior bond loans. Derivate liabilities, which accounted for 16.2% of financial liabilities, decreased by 11.7% (€2,910 million) YOY and basically comprises derivatives involved in a portfolio hedge accounting relationship. The decrease in both previously mentioned balance sheet items is largely a result of the increase of the euro against the dollar as well as the fall in the long-term interest rates.
Total deposits from customers account for only 4.1% of financial liabilities, and decreasing by 27.6% (€2,085 million) YOY. Total deposits from banks, however, accounted for 1.8% of financial liabilities and decreased by 32.2% YOY (€1,137 million).

The development of refinancing and capitalization in the years 2014 - 2017 is detailed as follows:

Liabilities (€000)	2014	%	2015	%	2016	%	2017	%
Total Deposits from Banks	2,544,000	1.7%	2,968,000	2.0%	3,530,000	2.4%	2,393,000	1.8%
Total Deposits from Customers	7,535,000	5.0%	6,869,000	4.7%	7,557,000	5.1%	5,472,000	4.1%
Total Debt	112,977,000	75.4%	111,942,000	77.0%	113,401,000	75.8%	105,102,000	77.8%
Derivative Liabilities	26,607,000	17.7%	23,261,000	16.0%	24,780,000	16.6%	21,870,000	16.2%
Securities Sold, not yet Purchased	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Other Financial Liabilities	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total Financial Liabilities	**149,663,000**	**100%**	**145,040,000**	**100%**	**149,268,000**	**100%**	**134,837,000**	**100%**
Insurance Liabilities	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Non-Current Liab. HFS & Discontinued Ops	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Unit-Linked Insurance and Investment Contr.	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Tax Liabilities	224,000	0.1%	222,000	0.2%	147,000	0.1%	190,000	0.1%
Noncurrent Asset Retirement Obligations	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Other Provisions	NA	0.0%	NA	0.0%	NA	0.0%	NA	0.0%
Total Other Liabilities	36,000	0.0%	86,000	0.1%	99,000	0.1%	45,000	0.0%
Total Liabilities	**149,923,000**	**97.7%**	**145,348,000**	**97.2%**	**149,514,000**	**97.1%**	**135,072,000**	**96.5%**
Total Equity	**3,582,000**	**2.3%**	**4,163,000**	**2.8%**	**4,486,000**	**2.9%**	**4,953,000**	**3.5%**
Total Passiva	**153,505,000**	**100%**	**149,511,000**	**100%**	**154,000,000**	**100%**	**140,025,000**	**100%**
Deposits from Customers Growth*	-24.90	NA	-8.84	16.06	10.02	18.85	-27.59	-37.61
Change in %-Points								

Figure 5: Development of refinancing and capital adequacy
(Source: S&P Global Market Intelligence)

BNG´s regulatory equity has increased noticeably in the past years. The CET1 ratio as well as the Tier 1 ratio and the total capital ratio increased by 4.4% and 4.7% respectively in comparison to the previous year. The bank was thereby able to increase its capital ratios to a much greater degree than its peer group and is overall at an outstanding level with its regulatory capital ratios. In addition, BNG´s fully phased in capital ratios are above the transitional capital ratios. This is mainly due to a negative result in the position of unrealized gains of BNG, which is excluded in the fully loaded capital ratios.

BNG´s leverage ratio of 3.7% barely meets the regulatory requirement of 3% (which will be binding in 2018) due to BNG´s business model of lending to public authorities, which are likely to have a 0% risk weight. In addition, BNG´s leverage ratio is clearly worse than that of the peer group. However, BNG has gradually improved its leverage ratio.

The development of capital ratios for 2014 - 2017 is detailed as follows:

Capital (€000)	2014	%	2015	%	2016	%	2017	%
Total Capital	2,770,000	-1.42	3,412,000	23.18	3,933,000	15.27	4,266,000	8.47
Total Risk-weighted Assets	11,681,000	1.31	12,797,000	9.55	12,328,000	-3.66	11,641,000	-5.57
Capital Ratios (%)								
Core Tier 1 Ratio	23.71	-0.62	23.35	-0.36	25.96	2.61	30.35	4.39
Tier 1 Ratio	23.71	-0.66	26.66	2.95	31.90	5.24	36.65	4.74
Total Capital Ratio	23.71	-0.66	26.66	2.95	31.90	5.24	36.65	4.74
Leverage Ratio	2.30	0.00	2.60	0.30	3.00	0.40	3.50	0.50
Fully Loaded: Common Equity Tier 1 Ratio	26.00	1.66	24.85	-1.15	26.77	1.92	31.00	4.23
Fully Loaded: Tier 1 Ratio	26.00	1.63	28.00	2.00	NA	NA	NA	NA
Fully Loaded: Risk-weighted Capital Ratio	26.00	1.63	28.00	2.00	33.00	5.00	37.00	4.00
Total Equity/ Total Assets	2.33	-0.28	2.78	0.45	2.91	0.13	3.54	0.62
Change in %-Points								

Figure 6: Development of capital ratios
(Source: S&P Global Market Intelligence)

Due to BNG`s bank capital and debt structure, our consideration as a government-related bank, as well as its status as an O-SII, the group's senior unsecured debt instruments have not been notched down in comparison to the long-term issuer rating. However, BNG´s Tier 2 capital rating is four notches below the long-term issuer rating based on the bank's capital structure and seniority in accordance with our rating methodology. Additional tier 1 capital is rated five notches below the long term issuer rating, reflecting a high bail-in risk in the event of resolution.

Liquidity

The liquidity coverage ratio of BNG is well above average in the peer group comparison, increasing significantly by 34 percentage points YOY. In the same period, however, the peer group recorded a minor improvement.

The bank´s interbank ratio is way above the average of its peers and increased tremendously YOY by 250.8 percentage points. Due to BNG´s business model and almost no deposits from other banks, its loan to deposit ratio is considerably higher than the average of the peer group, and increased by 413 percentage points YOY.

The development of the liquidity ratios for 2014 - 2017 is shown in detail as follows:

Liquidity (%)	2014	%	2015	%	2016	%	2017	%
Liquidity Coverage Ratio	168.00	NA	171.00	3.00	173.00	2.00	207.00	34.00
Interbank Ratio	434.20	218.18	355.12	-79.08	334.14	-20.99	584.91	250.78
Loan to Deposit (LTD)	1204.14	286.43	1301.00	96.86	1158.87	-142.13	1571.78	412.91
Change in %-Points								

Figure 7: Development of liquidity
(Source: S&P Global Market Intelligence)

Conclusion

Firstly, our rating of N.V. Bank Nederlandse Gemeenten is clearly affected by our opinion that there is a high probability of support by the government of the Netherlands (CRA Rating: AAA – 28.07.2017) and its public authorities in the event of financial distress. This owes to the fact that BNG is entirely and exclusively owned by the government of the Netherlands as well as by other Dutch local authorities, as well as to BNG´s historical role in public financing. In addition, we assume therefore a public interest in the business operations of the bank.

Regardless of the aforementioned issue, BNG can look back at 2017 as another solid year of performance. Overall, the banks key figures are largely at a very sound and competitive level.

BNG´s result in operating income in the fiscal year 2017 increased from the previous year. This could be achieved by increasing both main sources of income: net interest income and net trading income as a result of lower interest expenses on one hand and changes in unrealized market values on the other hand. By contrast, there is only a slight increase in personnel costs which is entirely offset by a reduction in other operating expenses.

The asset quality of BNG was as seen in the previous years: exceptionally good and way above peer group average. Moreover, BNG was even able to improve the main figures in this area over the previous year. Particularly noteworthy is the very low NPL ratio of 0.04%. Here, BNG benefits from its business with public authorities.

On the liabilities side, BNG recorded a decrease in total debt and deposits from customers. By contrast, the total equity ratio improved significantly; however, it is still on a relatively low level. Nonetheless, BNG has outstanding and above average regulatory capital ratios. Due to its outstanding figures in this area, BNG exceeds all regulatory requirements. Furthermore, the liquidity situation of BNG is satisfactory.

In the near future, growing regulation, ongoing digitization, and the ECB's low interest rate policy pose a general challenge for the banking landscape. However, the ECB has already announced that it will cut back its bond-buying program in 2018. It remains to be seen whether an interest rate reversal will follow thereafter. In particular, a rapid increase in the interest rates goes hand-in-hand with an interest rate adjustment risk for banks, which have adjusted to long-term low interest rates.

In a scenario analysis, the rating remained unchanged in the “best case” scenario and significantly worse in the "worst case" scenario. In addition, the banks’ rating is sensitive to changes in the creditworthiness of the Netherlands. The ratings of bank capital and (preferred) senior unsecured debt would behave similarly due to our rating mechanics. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

Ratings Detail

Bank ratings

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

LT Issuer / Short-Term / Outlook **AAA / L1 / Stable**

Bank Capital and Debt Instruments Ratings

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Tier 1 (AT1): **A**
Tier 2 (T2): **A+**
'preferred senior unsecured debt: **AAA**

Ratings Detail and History

Ratings			
Bank Capital und Debt Instruments			
Instruments	Rating Date	Publication Date	Ratings
Senior Unsecured / T2 / AT1	06.04.2018	09.04.2018	AAA / A+ / A
Bank Issuer Ratings			
Type	Rating Date	Publication Date	Ratings
LT Issuer / Outlook / Short-Term	06.04.2018	09.04.2018	AAA / Stable / L1

Figure 8: Ratings Detail and History

Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third parties for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating.

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by S&P Global Market Intelligence subject to a peer group analysis were 40 competing institutes.

The information and documents processed satisfied the requirements according to the rating system of Creditreform Rating AG published on the website www.creditreform-rating.de. The rating was carried out on the basis of the rating methodology for unsolicited bank ratings, the methodology for government-related banks as well as the methodology for the rating of bank capital and unsecured debt instruments in conjunction with Creditreform`s basic document “Rating Criteria and Definitions”.

On 06 April 2018, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to N.V. Bank Nederlandse Gemeenten and the preliminary rating report was made available to it. There was no change in the rating score.

The rating is subject to one-year monitoring from the creation date (see cover sheet). Within this period, the rating can be updated. At the latest after one year, a follow-up is required to maintain the validity of the rating.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration, Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our ‘Rating Committee’ policy, all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used following substantially material sources:

1. Transaction structure and participants

2. Transaction documents

3. Issuance documents

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The ‘Basic Data’ information card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated including any rating outlooks is indicated clearly and prominently in the ‘Basic Data’ card as a “rating action”; initial release is indicated as “initial rating”, other updates are indicated as an “update”, “upgrade” or “downgrade”, “not rated”, “confirmed”, “selective default” or “default”.

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within ‘Basic Data’ information card.

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