

Rating Action: Moody's assigns Counterparty Risk Ratings to 19 banks in the Benelux

22 Jun 2018

Ratings are assigned following 6 June 2018 update to Moody's Banks rating methodology

London, 22 June 2018 -- Moody's Investors Service today assigned Counterparty Risk Ratings to 19 banks and their branches and subsidiaries in the Benelux region: ABN AMRO Bank N.V. (ABN AMRO), Axa Bank Belgium (ABB), Banque et Caisse d'Epargne de l'Etat (BCEE), Belfius Bank SA/NV (Belfius), BGL BNP Paribas (BGL), Banque Internationale a Luxembourg (BIL), BNP Paribas Fortis SA/NV (BNPPF), China Construction Bank (Europe) S.A. (CCB Europe), Credit Europe Bank N.V. (CEB NV), De Volksbank N.V. (De Volksbank), Demir-Halk Bank (Nederland) N.V. (DHB), GarantiBank International N.V. (GBI), ING Bank N.V. (ING), ING Belgium SA/NV (ING Belgium), LeasePlan Corporation N.V. (LeasePlan), N.V. Bank Nederlandse Gemeenten (BNG Bank), Nederlandse Waterschapsbank N.V. (NWB Bank), NIBC Bank N.V. (NIBC) and Rabobank.

Moody's Counterparty Risk Ratings (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.

A full list of affected ratings is provided towards the end of this press release.

RATINGS RATIONALE

In assigning CRRs to the banks subject to this rating action, Moody's starts with the banks' adjusted Baseline Credit Assessments (BCAs) and uses the agency's existing advanced Loss Given Failure (LGF) approach that takes into account the level of subordination to CRR liabilities in the bank's balance sheet, and assumes a nominal volume of such liabilities. In addition, where applicable, Moody's has incorporated the likelihood of government support for CRR liabilities.

As a result, of the CRRs assigned to the 19 banks, the CRRs of 12 banks (ABN AMRO, BCEE, Belfius, BGL, BIL, BNPPF, CCB Europe, ING, ING Belgium, BNG Bank, NWB Bank, Rabobank) are four notches higher than their respective adjusted BCAs, the CRRs of five banks (CEB NV, De Volksbank, GBI, LeasePlan, NIBC) are three notches higher, the CRR of one bank (ABB) is two notches higher and the CRR of one bank (DHB) is one notch higher.

Although most if not all of the 17 banks whose CRRs receive four or three notches of uplift from their adjusted BCAs are likely to have more than a nominal volume of CRR liabilities at failure, this has no impact on the ratings because the significant level of subordination below the CRR liabilities at each of the 17 banks already provides the maximum amount of uplift allowed under Moody's rating methodology.

In all cases the CRRs assigned are equal to or higher than the rated banks' senior debt and deposit ratings. This reflects Moody's view that secured counterparties to banks typically benefit from greater protections under insolvency laws and bank resolution regimes than do senior unsecured creditors, and that this benefit is likely to extend to the unsecured portion of such secured transactions in most bank resolution regimes. Moody's believes that in many cases regulators will use their discretion to allow a bank in resolution to continue to honor its CRR liabilities or to transfer those liabilities to another party who will honor them, in part because of the greater complexity of bailing in obligations that fluctuate with market prices, and also because the regulator will typically seek to preserve much of the bank's operations as a going concern in order to maximize the value of the bank in resolution, stabilize the bank quickly, and avoid contagion within the banking system. CRR liabilities at these banks therefore benefit from the subordination provided by more junior liabilities, with the

extent of the uplift of the CRR from the adjusted BCA depending on the amount of subordination.

WHAT COULD CHANGE THE RATING UP/DOWN

ABN AMRO Bank N.V.

An upgrade of ABN AMRO's CRR could occur if the bank's adjusted BCA were upgraded as a result of a material improvement in its leverage ratio (regulatory leverage ratio of 4.3% at year-end 2017).

The bank's CRR could be downgraded if its adjusted BCA were downgraded as a result of (1) a significant deterioration in the bank's asset quality and profitability; or (2) a negative development in its liquidity; or (3) if Moody's assessment of the bank's capital adequacy relative to its risks deteriorated.

Axa Bank Belgium

An upgrade of ABB's CRR is unlikely given the negative pressure on its adjusted BCA resulting from the negative outlook assigned to the senior unsecured debt rating of its parent AXA (LT senior unsecured A2 negative).

ABB's CRR could be downgraded if its adjusted BCA were downgraded in the event of a downgrade of AXA's senior unsecured debt rating or if Moody's were to consider a lower probability of parental support to be extended to the bank in case of need.

Banque et Caisse d'Epargne de l'Etat

As BCEE's CRR already benefits from the maximum LGF uplift under Moody's rating methodology, it could only be upgraded as a result of an upgrade of its adjusted BCA, which is unlikely at present.

A downgrade of the bank's CRR could result from (1) a downgrade of the BCA and (2) higher loss-given-failure for CRR obligations due to lower subordination protecting these liabilities. A downgrade of the bank's BCA could result from (1) a deterioration in the quality of BCEE's loan portfolio and securities investments, notably through an increase in riskier investments; or (2) a decrease in net profitability, owing to lower net interest margins in a prolonged low interest rate environment and higher operating costs. More generally, the BCA could be downgraded following a weakening of the bank's franchise in Luxembourg or a substantial increase in borrower concentrations.

Belfius Bank SA/NV

Belfius' CRR could be upgraded as a result of an upgrade of its adjusted BCA. The bank's adjusted BCA would likely be upgraded if risk concentrations in its loan and investment portfolios were to be further reduced, its profit growth acceleration were confirmed or its capital position continues to strengthen above the current expectations.

A downgrade of Belfius' CRR is unlikely over the outlook horizon, as reflected in the positive outlook on its long-term deposit and senior unsecured debt ratings. However, Belfius' adjusted BCA, and hence its CRR, could be downgraded as a result of unexpected losses arising from its investment or loan book.

BGL BNP Paribas

BGL's CRR could be upgraded if its adjusted BCA were upgraded. BGL's BCA and adjusted BCA are already one notch above those of its parent BNP Paribas (BNPP; LT deposit Aa3 stable, LT senior unsecured Aa3 stable, BCA baa1) and it is therefore unlikely to further increase absent any improvement in BNPP's own BCA. In such a scenario, BGL's adjusted BCA could be upgraded as a result of a strengthening of its asset quality and/or an improvement of its profitability.

BGL's CRR could be downgraded if its adjusted BCA were downgraded in the event the bank suffers significant asset-quality deterioration or if its parent were to transfer activities that would alter the risk profile of BGL. The bank's CRR could also be downgraded as a result of higher loss-given-failure due to a material reduction in liabilities subordinated to the CRR obligations.

N.V. Bank Nederlandse Gemeenten

An upgrade of the BNG Bank's BCA will not trigger any upgrade of the bank's CRR which is already Aaa.

A multi-notch downgrade of the bank's BCA could result in a downgrade of its CRR. The CRR will likely not be affected by a one notch downgrade of the BCA, because this would likely be offset by government support.

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 risk weighted assets; (3) a significant increase in its funding gaps; or (4) a deterioration in its solvency.

Banque Internationale a Luxembourg

BIL's CRR could be upgraded if its adjusted BCA were upgraded. The bank's adjusted BCA could be upgraded if it improved its profitability or asset risk, or both, while maintaining its capital base, or if the uncertainties stemming from the bank's recent acquisition by a new shareholder abated.

BIL's CRR could be downgraded if its adjusted BCA were downgraded. BIL's adjusted BCA could be downgraded as a result of (1) a deterioration in its profitability that may result from difficulties in implementing its commercial strategy; or (2) material losses stemming from the bank's investment portfolio and loan book in a less benign macroeconomic environment.

Credit Europe Bank N.V.

CEB NV's CRR is on review for upgrade as a result of the current review for upgrade on the bank's BCA. The bank's BCA and consequently its long-term deposit rating and CRR, all currently on review for upgrade, could be upgraded on the sale of Credit Europe Bank Limited (CEBL) to CEB NV's parent Fiba Group, which is still contingent upon the approval of local regulators. The upgrade would be underpinned by stronger operating conditions in jurisdictions where CEB NV does business, which will affect the bank's asset quality and profitability.

Although unlikely at present, a downgrade of CEB NV's CRR could result from a downgrade of the bank's BCA due to higher asset risks, lower capitalisation or reduced profitability.

Demir-Halk Bank (Nederland) N.V.

DHB's CRR could be upgraded if the bank's BCA were upgraded, which could be triggered by a decrease in emerging market exposures and a sustainable improvement in profitability. In addition, DHB's CRR could be upgraded if the subordination benefiting CRR obligations were to increase, resulting in lower loss-given-failure.

DHB's CRR could be downgraded if the bank's BCA were downgraded, which could be triggered notably by (1) reduced profitability and increased earnings volatility; (2) a deterioration in operating conditions in Turkey, impacting asset quality; (3) weakening capital; or (4) an increase in related party lending.

China Construction Bank (Europe) S.A.

CCB Europe's CRR could be upgraded if its adjusted BCA were upgraded. Unless the BCA of its parent China Construction Bank Corporation's (CCB, LT deposit A1 stable, BCA baa1) BCA itself were upgraded, an upgrade of CCB Europe's ba2 BCA would be unlikely to result in an upgrade of the bank's CRR.

CCB's CRR could be downgraded if its adjusted BCA were downgraded. The bank's adjusted BCA could be downgraded as a result of a downgrade in CCB's BCA or a downgrade of its own BCA. Factors that may lead to a downgrade of CCB Europe's standalone BCA include (1) difficulties in implementing the bank's business development plan, which would result in lower-than-expected volumes of loans granted and a protracted period of negative profitability; (2) increasing asset risk resulting from higher delinquencies; and (3) a failure to attract new deposits and so diversify the bank's funding profile.

CCB's CRR could also be downgraded if Moody's were to consider that the Chinese government's support to CCB Europe would be less likely than currently expected.

De Volksbank N.V.

De Volksbank's CRR could be upgraded if (1) its adjusted BCA were upgraded owing to further strengthening of its profitability and asset risk; or (2) as a result of a decrease in loss-given-failure implied by a higher volume of subordinated liabilities to the CRR obligations.

De Volksbank's CRR could be downgraded in the event its adjusted BCA were downgraded as a result of a material deterioration of the bank's asset quality and solvency driven by an unexpected downturn in the

domestic economy, or a deterioration of its liquidity profile.

GarantiBank International N.V.

An upgrade of GBI's CRR is unlikely at present as it is on review for downgrade, along with the review for downgrade on the bank's BCA caused by increased asset risks due to the bank's Turkish exposures.

A downgrade of GBI's BCA, long-term deposit ratings and CRR could result from (1) increased asset risks in relation to the bank's Turkish exposures and/or declining profitability; (2) contagion risk from Turkiye Garanti Bankasi (TGB); and/or (3) a lower probability of support from BBVA.

A downgrade of GBI's CRR could also result from a decrease in the subordination benefiting CRR obligations, resulting in higher loss-given-failure for these liabilities.

ING Bank N.V.

ING Bank's CRR could be upgraded if its adjusted BCA were upgraded as a result of (1) a material improvement in the operating environment in the EU countries to which the bank is mostly exposed, leading to substantially improved asset risk and a higher profitability level; (2) a strengthening capital position; or (3) a lower reliance on confidence-sensitive wholesale funding.

ING Bank's CRR could be downgraded if its adjusted BCA were downgraded as a result of (1) an unexpected deterioration in asset risk and profitability; or (2) a weaker-than expected capital position.

ING Belgium SA/NV

ING Belgium's CRR could be upgraded if its adjusted BCA were upgraded as a result of (1) a substantial decrease in the bank's net exposure to its parent, ING Bank, N.V. (LT deposit Aa3 stable, LT senior unsecured Aa3 stable, BCA baa1); or (2) an improvement in its parent's BCA, which currently constrains that of ING Belgium.

ING Belgium's CRR could be downgraded if its adjusted BCA is downgraded as a result of a weakening in the bank's credit profile, due for instance to (1) an unexpected deterioration of the operating environment in Belgium; or (2) a decline in profitability if the bank fails to implement its restructuring plan. ING Belgium's adjusted BCA could also be downgraded if ING Bank's BCA is downgraded.

LeasePlan Corporation N.V.

An upgrade of LeasePlan's CRR is unlikely at present because the CRR already benefits from three notches of LGF uplift, which is the maximum under Moody's rating methodology. An upgrade of LeasePlan's BCA would likely trigger a similar upgrade of the CRR, but is unlikely at present, considering that LeasePlan's owners are private equity investors who are expected to constrain capital accrual at the bank.

LeasePlan's BCA and consequently its CRR could be downgraded if the shareholders implemented a more aggressive financial policy at the bank. In addition, its ratings could be downgraded as a result of (1) the failure of risk-mitigation techniques, recurring earnings or capital resources to adequately cover higher residual value risk; (2) evidence of deterioration in the bank's liquidity and funding profiles, resulting from increased reliance on wholesale funding or worse-than-expected liquidity gaps; or (3) a structural deterioration in profitability or the diversity of income streams.

NIBC Bank N.V.

NIBC's CRR could be upgraded if its adjusted BCA were upgraded as a result of improved asset risk and profitability.

A downgrade of NIBC's CRR could result from a downgrade of its adjusted BCA driven by a deterioration in its asset quality in light of weaker credit exposures, notably to cyclical corporate sectors (for example, commercial real estate, shipping, and oil and gas). The bank's BCA could also be lowered if the liquidity or funding mix deteriorates.

Nederlandse Waterschapsbank N.V.

An upgrade of the NWB Bank's BCA would not trigger any upgrade of the bank's CRR which is already Aaa.

A multi-notch downgrade of the bank's BCA could result in a downgrade of its CRR. The CRR will likely not be affected by a one notch downgrade of the BCA, because this would likely be offset by government support.

Downward pressure on NWB 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 risk-weighted assets; (3) a significant increase in its funding gaps; or (4) a significant deterioration in its solvency.

Rabobank

An upgrade of Rabobank's BCA, and consequently of the long-term CRR, could occur if (1) Rabobank improved its structural profitability beyond its current plans; (2) its capital continued to steadily increase; and (3) asset risks remained very low.

A downgrade of the bank's BCA, and consequently of the long-term CRR, could occur if (1) the bank's profitability were significantly impaired; or (2) the cost of risk in the bank's loan portfolio were to increase materially.

LIST OF AFFECTED RATINGS

Issuer: BGL BNP Paribas

Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa2

....Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: BNP Paribas Fortis SA/NV

Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa3

....Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: BNP Paribas Fortis, New York Branch

Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa3

....Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: LeasePlan Corporation N.V.

Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned A3

....Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-2

Issuer: LeasePlan Finance N.V. (DUBLIN BRANCH)

Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned A3

....Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-2

Issuer: N.V. Bank Nederlandse Gemeenten

Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aaa

....Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: Nederlandse Waterschapsbank N.V.

Assignments:

...Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aaa

...Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: Banque et Caisse d'Epargne de l'Etat

Assignments:

...Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa1

...Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: ABN AMRO Bank N.V.

Assignments:

...Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa3

...Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: ING Bank N.V.

Assignments:

...Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa3

...Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: ING Bank N.V. (Singapore)

Assignments:

...Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa3

...Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: ING Bank N.V., Sydney Branch

Assignments:

...Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa3

...Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: ING Bank N.V., Tokyo Branch

Assignments:

...Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa3

...Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: ING Groenbank N.V.

Assignments:

...Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa3

...Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: ING Belgium SA/NV

Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa3

....Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: Belfius Bank SA/NV

Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned A1

....Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: AXA Bank Belgium

Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa3

....Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: GarantiBank International N.V.

Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned A2, Placed Under Review for Downgrade

....Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1, Placed Under Review for Downgrade

Issuer: Demir-Halk Bank (Nederland) N.V.

Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Baa3

....Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-3

Issuer: De Volksbank N.V.

Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned A1

....Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: Banque Internationale a Luxembourg

Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned A1

....Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: China Construction Bank (Europe) S.A.

Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned A1

....Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: Rabobank

Assignments:

...Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa2

...Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: Rabobank, Australia Branch

Assignments:

...Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa2

...Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: Rabobank, Hong Kong Branch

Assignments:

...Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa2

...Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: Rabobank, New York Branch

Assignments:

...Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa2

...Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: Rabobank, New Zealand Branch

Assignments:

...Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa2

...Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: Rabobank, Paris Branch

Assignments:

...Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa2

...Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: Rabobank, Singapore Branch

Assignments:

...Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa2

...Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: Rabobank, The Netherlands Branch

Assignments:

...Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Aa2

...Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned P-1

Issuer: NIBC Bank N.V.

Assignments:

...Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned A3

....Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned **P-2**

Issuer: Credit Europe Bank N.V.

Assignments:

....Long-term Counterparty Risk Rating (Local and Foreign Currency), Assigned Ba1, Placed Under Review for Upgrade

....Short-term Counterparty Risk Rating (Local and Foreign Currency), Assigned NP, Placed Under Review for Upgrade

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

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Guillaume Lucien-Baugas
Vice President - Senior Analyst
Financial Institutions Group
Moody's France SAS
96 Boulevard Haussmann
Paris 75008
France
JOURNALISTS: 44 20 7772 5456

Client Service: 44 20 7772 5454

Nicholas Hill
MD - Banking
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
Client Service: 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
Client Service: 44 20 7772 5454



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