

Research

Three Dutch Financial Service Groups Ratings Lowered Following Similar Action On The Netherlands

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OVERVIEW

- On Nov. 29, 2013, we lowered to 'AA+' from 'AAA' our long-term sovereign credit rating on the State of The Netherlands.
- We equalize our long-term ratings on two Dutch government-related entities, Bank Nederlandse Gemeenten N.V. (BNG) and Nederlandse Waterschapsbank N.V. (NWB Bank), with the long-term rating on The Netherlands.
- Consequently, we are lowering our long-term ratings on these two entities to 'AA+' from 'AAA' and affirming the 'A-1+' short-term ratings.
- We are also reducing the uplift for government support that we factor into our ratings on ING Bank N.V. from two notches to one.
- We are therefore lowering to 'A' from 'A+' our long-term ratings on ING Bank, and also lowering by one notch the long-term ratings on its subsidiaries, ING Belgium, ING Financial Markets, and holding company ING Groep.
- The ratings on ING Groep's insurance operating subsidiaries are limited by the ratings on ING Bank. We are lowering to 'A' from 'A+' the ratings on Nationale-Nederlanden Levensverzekeringen Maatschappij N.V. and ING Re (Netherlands) N.V. and the rating on ING Verzekeringen N.V. to 'BBB+' from 'A-'.
- Our ratings on other Dutch banks are unaffected by these actions.

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LONDON (Standard & Poor's) Dec. 2, 2013--Standard & Poor's Ratings Services said today that it lowered to 'AA+' from 'AAA' its long-term counterparty credit ratings on Dutch government-related entities (GREs) Bank Nederlandse Gemeenten N.V. (BNG) and Nederlandse Waterschapsbank N.V. (NWB Bank). We also affirmed our 'A-1+' short-term counterparty credit ratings on the two entities. The outlook on BNG and NWB Bank is stable.

We also lowered to 'A' from 'A+' our long-term counterparty credit rating on ING Bank N.V. and its core subsidiaries, ING Belgium S.A./N.V. and ING Financial Markets LLC, and affirmed our 'A-1' short-term counterparty credit ratings on these entities. We lowered to 'A-/A-2' from 'A/A-1' our long- and short-term counterparty credit ratings on holding company ING Groep N.V. We also affirmed the subordinated and hybrid ratings on ING Bank and ING Groep. The outlook on these entities is stable.

In addition, we lowered the ratings on various insurance subsidiaries of ING Groep. We lowered to 'A' from 'A+' the long-term counterparty credit and insurer financial strength ratings on ING Verzekeringen's (INGV) Dutch operating insurance subsidiaries--Nationale-Nederlanden Levensverzekeringen Maatschappij N.V. and ING Re (Netherlands) N.V. We also lowered to 'BBB+' from 'A-' the long-term counterparty credit rating on INGV and affirmed the 'A-2' short-term counterparty credit rating. We lowered the ratings on INGV's outstanding debt issues by one notch. The outlook on these entities is stable, in line with the outlook on ING Groep.

RATIONALE

BANK NEDERLANDSE GEMEENTEN N.V. AND NEDERLANDSE WATERSCHAPSBANK N.V.

The downgrade of the two Dutch GREs reflects a similar action on The Netherlands (AA+/Stable/A-1+, unsolicited ratings) on Nov. 29, 2013. In accordance with our criteria for rating GREs, we believe that there is an "almost certain" likelihood that these GREs would receive timely and sufficient extraordinary support from the Dutch government in the event of financial distress. As a result, we equalize the long-term ratings with that on The Netherlands.

Our opinion of an "almost certain" likelihood of government support for BNG and NWB Bank reflects our view that they:

- Play a "critical" role for the Dutch government through their key public policy mandate.
- Have an "integral" link with the Dutch government as we consider the banks as an extension of the government.

ING GROEP N.V.

The lowering of the long-term rating on ING Bank is based on the reduction in the uplift for government support that we factor into the ratings on ING Bank from two notches to one. This follows the lowering of the long-term sovereign credit rating on The Netherlands (see table 22 of "Banks: Rating Methodology And Assumptions," published on Nov. 9, 2011, on RatingsDirect). We incorporate this uplift based on our view of the bank's "high" systemic importance in The

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Netherlands, a country we assess as "supportive" of its banking system. Our assessment of ING Bank's stand-alone credit profile (SACP) is unchanged at 'a-'.

We rate ING Groep one notch below ING Bank as a result of its status as a nonoperating holding company. The ratings on ING Financial Markets and ING Belgium are based on our view of their positions as "core" subsidiaries of ING Bank.

Although ING's insurance operations are assessed as "not strategically important" to ING Groep, the ratings on the subsidiaries are limited by those on ING Bank because of the ongoing linkages between the insurance operations and the wider group. We expect this to continue until ING Groep makes significant progress in divesting INGV, for example, if it were to become a minority shareholder and if INGV's funding profile indicated its independence from ING Groep.

OTHER DUTCH BANKS

Our ratings on the other Dutch banks are unchanged following the one-notch lowering of the long-term rating on The Netherlands. We continue to include one notch of uplift for government support in our ratings on Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank Nederland), two for ABN AMRO Bank N.V. (both of which we also consider as highly systemically important), and three for SNS Bank N.V. (one notch for our assessment of its moderate systemic importance, and two for additional short-term support). In addition, since November 2012, our assessment of the Dutch banking system--and of Dutch banks' stand-alone creditworthiness--already includes our expectation of continued pressure on the Dutch private sector, which translates into below-average economic growth prospects.

OUTLOOK

The stable outlook on BNG and NWB Bank reflects that on The Netherlands.

Under our criteria for GREs, with all other factors remaining the same, we would lower the long-term counterparty credit ratings on BNG and NWB Bank by one notch if we were to lower the sovereign rating by one notch. A negative rating action on the two GREs could also result from a reassessment of the banks' public policy role in The Netherlands and the level of implicit government support.

We could upgrade BNG and NWB Bank by one notch if we were to take similar rating action on The Netherlands. However, we currently consider such a rating action as unlikely.

The stable outlook on ING Bank reflects our expectation that the bank's performance should prove resilient to the sluggish growth prospects in some of its main markets, supported by the good diversification of its revenues by product and geography.

Three Dutch Financial Service Groups Ratings Lowered Following Similar Action On The Netherlands

Although unlikely at this stage--particularly in light of ING Bank's upcoming repayment of the last tranches of government capital--we could raise our ratings on ING Bank if its risk-adjusted capital ratio appeared set to sustainably exceed 10%.

Under our government support methodology, a modest weakening in ING Bank's SACP would not necessarily impede its 'A' counterparty credit rating. However, a more material weakening could lead to a downgrade. This could occur, for example, if there were renewed deterioration in its main markets, leading to a material weakening in asset quality, combined with a marked deterioration in its capital position.

RELATED CRITERIA AND RESEARCH

Related criteria

- Group Rating Methodology, Nov. 19, 2013
- Insurers: Rating Methodology, May 7, 2013
- Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 7, 2013
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Hybrid Capital Methodology And Assumptions, Nov. 1, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- Rating Government-Related Entities: Methodology And Assumptions, Dec. 9, 2010
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

Related research

- Long-Term Ratings On The Netherlands Lowered To 'AA+' On Weak Growth Prospects; Outlook Stable, Nov. 29, 2013

RATINGS LIST

Downgraded

	To	From
Bank Nederlandse Gemeenten N.V. Nederlandse Waterschapsbank N.V. Counterparty credit rating	AA+/Stable/A-1+	AAA/Negative/A-1+
ING Bank N.V. ING Belgium S.A./N.V. ING Financial Markets, LLC Counterparty credit rating	A/Stable/A-1	A+/Negative/A-1
ING Groep N.V. Counterparty credit rating	A-/Stable/A-2	A/Negative/A-1
ING Verzekeringen N.V. Counterparty credit rating	BBB+/Stable/A-2	A-/Negative/A-2

Three Dutch Financial Service Groups Ratings Lowered Following Similar Action On The Netherlands

ING Re (Netherlands) N.V.

Nationale-Nederlanden Levensverzekeringen Maatschappij N.V

Counterparty credit rating A/Stable/-- A+/Negative/--

Financial strength rating A/Stable/-- A+/Negative/--

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