

Netherlands
Credit Analysis

**Bank Nederlandse Gemeenten
(BNG)**

Ratings

Foreign Currency	
Long-Term IDR	AAA
Short-Term IDR	F1+
Individual Rating	A
Support Rating	1
Support Rating Floor	AA
Sovereign Risk	
Foreign-Currency Long-Term IDR	AAA
Local-Currency Long-Term IDR	AAA

Outlooks

Foreign-Currency Long-Term IDR	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

Financial Data

	31 Dec 08	31 Dec 07
Total assets (USDm)	141,069	136,320
Total assets (EURm)	101,365	92,602
Total equity (EURm)	1,979	2,053
Operating profit (EURm)	182	238
Published net income (EURm)	158	195
Comprehensive income (EURm)	22	78
Operating ROAA (%)	0.19	0.26
Operating ROAE (%)	9.18	10.00
Eligible capital/weighted risks (%)	18.7	19.9
Tier 1 ratio (%)	18	18

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Rating Rationale

- The Long- and Short-Term Issuer Default Ratings (IDR) and Individual Rating of Bank Nederlandse Gemeenten (BNG) reflect its relationship with the Dutch public sector, both in its ownership and in its role as banker to local authorities. The ratings also take into account the low-risk nature of the bank's activities, its excellent asset quality, good liquidity and strong regulatory capital ratios.
- BNG has a dominant presence in Dutch public sector lending, which it has successfully defended by exploiting its long-standing relationships and the depth of its experience. BNG's net interest income increased by 4% in 2008 due to a growing loan book and the favourable impact of declining short-term interest rates on its funding costs during Q408.
- Credit risk in BNG's loan portfolio is extremely low as over 90% of its exposures are either granted to, or guaranteed by, local or central government entities. The bank has not suffered any loan impairment charges for more than 10 years. The negative value adjustments through P&L and negative revaluation reserves through shareholders' funds on its securities portfolio at end-2008 do not reflect actual impairments and the bank has no intention of selling these securities.
- Funding is mainly sourced from the international capital markets. BNG's funding costs benefit from its high credit status, although long-term issuance has become more expensive, partly due to competition from state-guaranteed issues. The bank increased the proportion of its short-term funding in Q408, but was able to rebalance its funding structure in H109. The nature of the bank's balance sheet, which predominantly comprises assets immediately eligible for central bank refinancing, represents a natural liquidity reserve.
- Capitalisation is good in light of the low-risk nature of the bank's lending. BNG reports strong regulatory capital ratios, as over 90% of its loans are zero risk-weighted. Following two special dividend payouts of EUR500m each in 2006 and 2007, capital ratios have now decreased close to their targeted minimum levels of 18% for Tier 1 and 2% for equity/total assets.

Support

- BNG is 50%-owned by the Dutch central government, with the remaining 50% owned by a number of municipal and provincial authorities and a water board. While no formal guarantee of support for BNG has been given by the central or local authorities, in Fitch Ratings' opinion its special role in the Dutch public sector would result in an extremely high probability of support if needed.

Key Rating Drivers

- Downside risk to BNG's IDRs would arise from a change in its public sector ownership or role as banker to local authorities. In addition, negative pressure on BNG's Individual Rating would arise in the event of a material deterioration in the level and/or quality of its capitalisation, if the bank were to incur significant impairments - particularly in its portfolio of mortgage-backed securities - or if it were to become dependent on short-term funding.

Profile

BNG's provides loans and related services to Dutch municipal and provincial authorities and other public sector-linked entities such as housing associations, healthcare institutions, public utilities and educational and cultural bodies.

- Provider of loans and related services to Dutch public sector organisations
- Owned by the Dutch state, local authorities and a water board
- Dominant market positions in its key segments

Profile

Founded in 1914, BNG has a dominant presence in the Dutch public sector lending market. Its two largest sector exposures are to local authorities and housing associations, where market shares in terms of outstanding loans were estimated at 63% and 49%, respectively, at end-2008. BNG's lending to the healthcare sector is growing fast, and reached 43% at end-2008, while its lending to Dutch public utilities remains broadly stable, despite steps towards privatisation in this sector.

In addition to its financing activities, the bank offers advisory and consultancy services, such as assisting public authorities in the design of their treasury, portfolio and asset and liability management functions. BNG also offers investment funds, which are managed through a wholly owned subsidiary, BNG Capital Management. Investment in the funds totalled EUR2.5bn at end-2008. They are mainly marketed to municipalities with budgetary surpluses. Furthermore, the bank provides electronic fund transfer and payment services to its public sector customers. In undertaking these activities, BNG aims to provide low-cost services to its core clients, rather than to generate additional revenue.

BNG's headquarters are in The Hague. It has no branches and, including its subsidiaries, employed 280 full-time equivalent staff at end-2008.

Corporate Governance

The bank's supervisory board is made up of nine members with backgrounds in business and politics. The executive board consists of three members, each responsible for specific areas of the business. No changes in the current ownership structure are envisaged for the foreseeable future.

Strategy

The bank remains committed to a four-pillar strategy: maintaining a substantial share of its activities in the Dutch public sector; earning a reasonable return for shareholders; maintaining an excellent standard of creditworthiness; and realising operations as efficiently and effectively as possible. The bank sees scope for future loan growth and market share expansion in the healthcare sector. BNG is also exploring new sectors like public-private partnerships. It has been working on a number of projects with local and regional authorities through its development and equity investment subsidiary, Ontwikkelings- en Participatiebedrijf Publieke Sector (OPP).

Presentation of Accounts

BNG has published its accounts under IFRS since 2005. The bank attempts to reduce IFRS induced P&L volatility by applying hedge accounting where possible. It has made use of the option to reclassify EUR5.2bn of debt securities to loans and advances from available-for-sale (AFS) securities since 1 July 2008 under the amendment to IAS 39. In the spreads attached to this report, however, those securities are included in line B7 "Other Securities".

Performance

The bank's profitability continues to benefit from its prominent position in the public sector lending market and the low-risk nature of its exposures, which have helped it avoid the need for impairment charges. Table 1 compares BNG's performance indicators with those of Nederlandse Waterschapsbank (NWB), BNG's main domestic competitor, and Dexia, which has strong public sector financing market shares in Belgium and France. The very thin spreads earned on this type of lending result in low operating ROAA and ROAE, despite the benefits of a lean cost base due to the absence of a branch network for BNG and NWB.

- Income driven by high-volume, low-margin public sector lending
- Undiversified revenue mix
- Weakening profitability in recent years due to tightening net interest margin and the end of tax-exempt status
- Very low cost base due to absence of a branch network

Table 1: Performance

(%)	BNG (‘AAA’/‘F1+’/Stable)		NWB (NR ^a)		Dexia (‘A+’/ ‘F1+’/Stable) ^b	
	2008	2007	2008	2007	2008	2007
Net interest margin	0.29	0.29	0.31	0.31	1.03	0.82
Operating ROAA	0.19	0.26	0.03	0.26	-0.38	0.49
Operating ROAE	9.2	10.0	1.1	8.1	-23.4	16.5
Cost/income	25.0	22.7	53.9	12.2	52.6	56.9
Core capital/total assets	1.91	2.16	2.07	2.71	0.41	2.10

^a Not rated by Fitch

^b Based on potential support from the states of France, Belgium and Luxembourg

Source: Bank financial statements. Ratios calculated by Fitch

Revenue

The bank’s revenue is highly reliant on net interest revenue, with ancillary revenue streams from its subsidiaries providing only very limited diversification and results from financial transactions being beset by significant volatility. Its net interest margin (NIM) is narrow compared with that of the major Dutch banks, reflecting the tight pricing on public sector lending and BNG’s use of wholesale funding, whereas the major banks benefit from large, cheaper retail deposit bases. Moreover, the NIM is under pressure due to higher interest expenses on increased total funding after the significant dividend payouts and subsequent reduction in common equity. However, net interest income increased by 4% in 2008 due to a growing loan book and the favourable impact of declining short-term interest rates during Q408 as the bank’s liabilities reprice more quickly than its assets. Competition remains intense in public sector lending in the Netherlands, although margins have improved in non-guaranteed lending due to reduced competition from foreign players. Net interest income generation remained strong in the first months of 2009 thanks to better margins on new lending and the steep yield curve.

BNG’s non-interest income contributes a relatively small amount to total operating revenue. Commission income is mostly from letter of credit issuance, but also includes credit-related fees and payment services. Non-interest income turned negative in 2008 due to unrealised negative value adjustments of EUR98m which are included in the line “Net Gains (Losses) on Assets at FV through Income Statement” in the attached income statement analysis. The negative value adjustments reflected the impact of wider credit spreads on the bank’s portfolio of financial assets at fair value through the income statement (see ‘Credit Risk’), as well as a EUR50m write-down on a monoline exposure to protect investment-grade securities. However, they were partly offset by a EUR10m gain from hedging inefficiencies and some positive value adjustments due to the decline in interest rates in H208. Non-interest income remained negative in the first months of 2009 as a result of further negative value adjustments through P&L.

Non-Interest Expenses

The absence of a branch network has enabled BNG to maintain a low cost base as reflected by its extremely good cost/income ratio (25% in 2008), although this has deteriorated somewhat due to lower revenues than in 2007. The bank managed to reduce operating expenses by 8% in 2008, mainly due to the outsourcing of payment operations and headcount reductions.

Loan Impairment Charges

The bank has not suffered any loan impairment charges for more than 10 years thanks to its excellent asset quality. BNG does not expect this situation to change in the foreseeable future.

Taxation

Until 1 January 2005, BNG was exempt from corporation tax. The liberalisation of the EU capital markets has meant that BNG had to give up this concession. The cancellation of the tax exemption means that the Dutch corporate tax rate now applies to BNG, which has resulted in lower post-tax profits.

Prospects

The bank has a strong franchise with significant market shares in all its key segments of public sector lending, particularly to municipalities, housing associations and healthcare clients. This should enable it to continue to withstand the strong competition. Furthermore, significant barriers to entry still exist in the form of low margins, despite the loss of the bank's tax-exempt status. The potential threat of disintermediation in the public sector has until now not manifested itself: municipalities and housing associations have so far preferred the flexibility offered by bank loans, rather than raising money through their own MTN programmes or through direct borrowing from the central government, although competition from institutional investors such as pension funds has increased somewhat. BNG's cost base should remain low, helped by the outsourcing agreement and ongoing automation in order to improve the efficiency of business processes. However, higher long-term refinancing costs could weigh on profitability in 2009 (see 'Funding'), while the P&L ratio could also be affected by further negative value adjustments on the bank's investment portfolio.

Risk Management

Credit Risk

As stipulated in BNG's articles of association, the bank can lend only to public sector institutions, companies with links to the public sector or where the exposure is covered by a public sector guarantee. This is unlikely to change and consequently asset quality is extremely good, as lending is low risk. BNG uses both internal and external ratings to grant non-guaranteed facilities. Currently, its credit risk analysis is mainly qualitative but it is in the process of developing formal credit risk models.

Direct or indirect lending to the public sector makes up the bulk of total lending, as Table 2 shows. BNG distinguishes between long-term lending (94% of the total at end-2008) and short-term lending (6%). The composition of the long-term lending portfolio (shown in Table 2) has remained fairly stable yoy, with loan growth in 2008 coming mainly from housing associations, municipalities and utilities. Short-term lending has a similar overall distribution. The loan book is not overly concentrated, with the 10 largest long-term non-guaranteed exposures representing 86% of equity at end-2008 and being represented by loans to utilities, healthcare institutions and public transportation companies.

Table 2: Lending

(EURm)	2008	(%)	2007	(%)
Municipalities and provinces	20,967	32	19,992	33
Housing associations	33,428	51	30,309	50
Utilities	3,184	5	2,763	4
Healthcare institutions	5,429	8	5,427	9
Other	2,365	4	2,451	4
Total long-term lending	65,373	100	60,942	100
Short-term lending (average)	3,933		3,819	
Total lending	69,306		64,761	

Source: Bank Nederlandse Gemeenten

International exposure (55% of which was in the form of bond holdings and the remainder mostly collateral with foreign derivative counterparties) totalled EUR14.4bn at end-2008. The bank's approach to international lending remains cautious; it limits itself to EU counterparties permitted under its articles of

- Low credit risk as most exposures are to, or guaranteed by, Dutch public sector institutions
- Accounting impact of widening spreads on the bank's securities portfolio does not reflect actual impairments
- Market risk mainly from interest rate risk

association, with an internal limit for foreign exposures at 15% of total assets after excluding international liquidity operations and international exposure from collateral, and there are no plans to open foreign subsidiaries. At end-2008, the main exposures outside the Netherlands were to Spanish mortgage-backed securities and Italian government bonds (see 'Other Earning Assets').

Housing Associations

All long-term lending to social housing associations is guaranteed by Waarborgfonds Sociale Woningbouw (WSW), a 'AAA'-rated social housing fund ultimately guaranteed by the Dutch government and municipalities. Some housing associations have experienced financial problems, but none has defaulted and the guarantee has not been called upon since the inception of WSW in 1983. BNG was able to strongly increase its lending to housing associations in 2008 as property sales to tenants dried up as an internal source of funding for new investments, making the housing associations more dependent on bank financing. Management expects this sector to continue to be an area of loan growth because plans for urban restructuring and new housing will require financing.

Municipalities

This sector has undergone consolidation in recent years, with the number of authorities declining to 441 at 1 January 2009 from 496 in 2001. In many cases, the reorganisation has resulted in greater administrative powers and increased autonomy from the central government, but budgets have also been cut and are expected to remain tight for at least the next few years.

The creditworthiness of the municipalities is underpinned by the close relationship between central and local government and the strict regulatory and legal framework in which they operate. Municipalities running a structural budget deficit receive supplementary financial assistance from the central government ("Article 12" municipalities). There were four in this situation at end-2008. BNG's long-term lending to Article 12 municipalities is very limited (0.6% of all long-term lending to this sector at end-2008).

Healthcare

Following the establishment in 1999 of a guarantee fund for healthcare institutions (Waarborgfonds voor de Zorgsector; WfZ), the bank has been able to develop its lending to this sector. WfZ's liabilities are guaranteed by the central government, and consequently loans covered by WfZ guarantees are zero risk-weighted for capital adequacy purposes. Long-term lending to this sector remained stable at EUR5.4bn in 2008. Due to an ageing population and changes in the financing of hospitals, lending to the healthcare sector is expected to rise, although more loans might be subject to capital adequacy requirements.

Other Earning Assets

At end-2008, the line "Other Earning Assets" in the attached spreadsheet included EUR9.0bn of interbank placements with highly rated banks, of which EUR3.2bn were assisted by cash collateral, and a EUR10.9bn portfolio of debt securities issued by public and private sector institutions. In addition, the bank had EUR8.5bn of derivatives used to hedge interest rate and foreign currency risks, including EUR0.8bn of derivatives not eligible for hedge accounting. Of the EUR10.9bn of debt securities, EUR5.2bn was classified by BNG as AFS financial assets, EUR1.4bn as financial assets at fair value via the income statement and EUR4.3bn as loans and advances. At end-May 2009, around 92% of these securities were rated in the investment-grade category (essentially 'AA-' or higher); the remainder was unrated.

At end-2008, the bank's securities portfolio included EUR4.3bn of high-quality RMBS and EUR1.4bn of covered bonds, all with underlying Western European prime mortgages. These securities were acquired to replace BNG's mortgage portfolio, which has been in run-off since the mortgage fund to which BNG was lending (the

former ABN AMRO Bouwfonds) lost its status as a public sector organisation in 2006. Owing to rising spreads, these mortgage-backed securities generated negative P&L value adjustments of EUR34m in 2008 (2007: EUR6m) and negative revaluation reserves through shareholders' equity of EUR100m (2007: EUR108m). However, these accounting changes did not reflect actual impairments at end-2008 and the bank has no intention to sell these securities. Moreover, there have been no revaluations through equity since 1 July 2008 due to the reclassification of the AFS securities in this portfolio to loans and receivables. Other than these mortgage-backed securities, BNG's investment portfolio mainly consisted of government bonds (EUR3.8bn at end-2008) and some corporate bonds.

Market Risk

Management of this risk is overseen by the asset-liability committee (ALCO), handled daily by the treasury and controlled by an independent risk management department. The ALCO meets monthly (or more frequently when required) and comprises the executive board, the treasurer and other senior management. The bank's market risk relates mainly to interest rate risk.

Active asset-liability management is used by the bank to protect its margins, resulting in moderate interest-rate mismatches. Duration is the main tool used to monitor interest rate risk. Most of BNG's lending is at fixed rates, but is swapped to floating rates so that both sides of the balance sheet are floating rate. Micro-hedges are used for large funding transactions, while portfolio hedging is applied to the asset side. At end-2008, the bank calculated that a 50bp fall in interest rates would have led to a 1.5% fall in net interest revenue. Interest rate risk increased in 2008 due to the shorter average tenor of the bank's funding, resulting in a higher maturity mismatch (see 'Funding').

The bank closed its small trading book (futures and FX swaps) in 2007 and is not expected to open it again. BNG funds itself in all major currencies but hedges almost all FX risk by using derivatives (ie swapped into EUR), resulting in minimal exposure.

Operational Risk

BNG devotes considerable attention to the management of operational risk, with separate control systems for IT risk, integrity risk and outsourcing risk. The latter has been treated as a separate operational risk since 2007, when the bank's payment operations and related IT activities were outsourced to an external provider, which however exposes the bank to third-party operational risk. Risk self-assessments have been completed for the entire bank. For Basel II, the bank utilises the basic indicator approach.

Funding and Capital

Funding

BNG obtains most of its funding through the capital markets and after the Dutch central government it is one of the largest issuers of debt in the Netherlands (EUR13.1bn of new long-term issuance in 2008). Debt securities in issue financed 78% of the balance sheet at end-2008. The bank mainly issues long-term debt to institutional investors within its EUR80bn debt issuance programme, including in the form of private placements. BNG also uses short-term funding instruments, in the form of CDs and Euro CP issues. The bank's long-term borrowing is well diversified geographically, by type of investor and by currency (principally in EUR and USD, but also in GBP, CHF and JPY). Due to very difficult markets in H208, the bank had to place issues at shorter tenors and part of the planned long-term issuance was replaced by short-term funding, leading to some maturity mismatches. As a result, the bank increased the size of its ECP programme to EUR15bn from EUR10bn in December 2008. It was able to rebalance its funding structure in the first months of 2009, but long-term issuance remains more expensive, partly as competition from state-guaranteed issues effectively lays a floor to spreads in the market for 'AAA' rated bonds.

- Funding primarily from the capital markets
- High capital ratios due to low risk weighting of assets; capitalisation adequate
- Long-term issuance has become more expensive, partly due to competition from state-guaranteed issues

The bank's deposit base represented only 6% of total liabilities at end-2008 (EUR6.4bn). These deposits are sourced from the same type of counterparties that make up BNG's primary borrowers. BNG's liquidity position is strong, underpinned by its well-established reputation, high credit ratings and a large portfolio of eligible and marketable securities. A significant portion of this portfolio is available for repo with the ECB (EUR9.4bn of eligible securities at end-June 2009), while many of the bank's assets (loans to local authorities and guaranteed loans) could also qualify as eligible collateral if BNG were to register them with the ECB.

Capital

Fitch considers BNG's capitalisation as good in light of its predominantly guaranteed lending, while appetite for other risks than credit is low. The bank reports strong regulatory capital ratios as these benefit from the fact that almost all of its loans are zero risk-weighted (91% at end-2008). It has no hybrid capital.

The bank's capitalisation fell in 2006 and 2007 due to its revised dividend and capital policy. According to the new policy, the bank targets a minimum regulatory Tier 1 ratio of 18% and a minimum equity/total assets ratio (as calculated by the bank) of 2%, with surplus capital paid out to its shareholders in the form of special dividends, subject to regulatory approval. As a result, the bank made two special dividend payments of EUR500m each out of its reserves in December 2006 and December 2007, and it now distributes half of annual net profit as a regular dividend (previously it was 43%). The increased pay-outs were motivated by the desire to compensate shareholders for lower ROE following the imposition of corporate tax. No additional dividend payout was made in December 2008 as the capital ratios are close to their targets. The bank's equity/total assets ratio dropped to 1.95% at end-2008. However, under IFRS the denominator is inflated to reflect risk mitigation in the form of collateralised derivative transactions. Indeed, by adjusting total assets for the market value and collateral of the bank's swap agreements, this ratio would be 2.13%, broadly in line with the level at end-2007.

The adoption of Basel II using the standardised approach for credit risk in 2007 lowered BNG's capital ratios slightly (by less than 1%) as the reduction in risk-weighted assets was outweighed by a higher operational risk charge. The bank is investigating the potential benefits of moving toward the IRB approach, but this is hampered by the lack of default events.

BANK NEDERLANDSE GEMEENTEN (BNG)

Income Statement

	31 Dec 2008				31 Dec 2007			31 Dec 2006		31 Dec 2005	
	Year End USDm Original	Year End EURm Original	As % of Earning Assets Original	Average EURm Original	Year End EURm Original	As % of Earning Assets Original	Year End EURm Original	As % of Earning Assets Original	Year End EURm Original	As % of Earning Assets Original	
Income Statement											
1. Interest Income on Loans	6,296.0	4,524.0	4.75	4,196.0	3,868.0	4.29	3,143.0	3.51	2,837.0	3.25	
2. Other Interest Income	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00	
3. Dividend Income	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
4. Gross Interest and Dividend Income	6,296.0	4,524.0	4.75	4,196.0	3,868.0	4.29	3,143.0	3.51	2,837.0	3.25	
5. Interest Expense on Customer Deposits	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
6. Preferred Dividends Paid & Declared	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
7. Other Interest Expense	5,910.5	4,247.0	4.46	3,925.0	3,603.0	3.99	2,845.0	3.18	2,527.0	2.89	
8. Total Interest Expense	5,910.5	4,247.0	4.46	3,925.0	3,603.0	3.99	2,845.0	3.18	2,527.0	2.89	
9. Net Interest Income	385.5	277.0	0.29	271.0	265.0	0.29	298.0	0.33	310.0	0.36	
10. Net Gains (Losses) on Trading and Derivatives	2.8	2.0	0.00	1.0	0.0	0.00	-4.0	0.00	-1.0	0.00	
11. Net Gains (Losses) on Other Securities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
12. Net Gains (Losses) on Assets at FV through Income Statement	-89.1	-64.0	-0.07	-28.0	8.0	0.01	3.0	0.00	3.0	0.00	
13. Net Insurance Income	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
14. Net Fees and Commissions	27.8	20.0	0.02	17.0	14.0	0.02	6.0	0.01	7.0	0.01	
15. Other Operating Income	12.5	9.0	0.01	6.5	4.0	0.00	6.0	0.01	3.0	0.00	
16. Total Non-Interest Operating Income	-45.9	-33.0	-0.03	-3.5	26.0	0.03	11.0	0.01	12.0	0.01	
17. Personnel Expenses	44.5	32.0	0.03	34.0	36.0	0.04	40.0	0.04	27.0	0.03	
18. Other Operating Expenses	40.4	29.0	0.03	29.5	30.0	0.03	17.0	0.02	19.0	0.02	
19. Total Non-Interest Expenses	84.9	61.0	0.06	63.5	66.0	0.07	57.0	0.06	46.0	0.05	
20. Equity-accounted Profit/ Loss - Operating	-1.4	-1.0	0.00	6.0	13.0	0.01	3.0	0.00	n.a.	-	
21. Pre-Impairment Operating Profit	253.3	182.0	0.19	210.0	238.0	0.26	255.0	0.28	276.0	0.32	
22. Loan Impairment Charge	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00	
23. Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
24. Operating Profit	253.3	182.0	0.19	210.0	238.0	0.26	255.0	0.28	276.0	0.32	
25. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
26. Non-recurring Income	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
27. Non-recurring Expense	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
28. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
29. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
30. Pre-tax Profit	253.3	182.0	0.19	210.0	238.0	0.26	255.0	0.28	276.0	0.32	
31. Tax expense	33.4	24.0	0.03	33.5	43.0	0.05	56.0	0.06	-35.0	-0.04	
32. Net Income	219.9	158.0	0.17	176.5	195.0	0.22	199.0	0.22	311.0	0.36	
33. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
34. Change in Value of AFS Investments	-185.1	-133.0	-0.14	-124.5	-116.0	-0.13	-134.0	-0.15	354.0	0.41	
35. Currency Translation Differences	-4.2	-3.0	0.00	-2.0	-1.0	0.00	0.0	0.00	n.a.	-	
36. Remaining OCI Gains/(losses)	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
37. Fitch Comprehensive Income	30.6	22.0	0.02	50.0	78.0	0.09	65.0	0.07	665.0	0.76	
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
39. Memo: Net Income after Allocation to Non-controlling Interests	219.9	158.0	0.17	176.5	195.0	0.22	199.0	0.22	311.0	0.36	
40. Memo: Common Dividends Paid & Declared in the Period	109.9	79.0	0.08	88.0	97.0	0.11	99.0	0.11	134.0	0.15	
Exchange Rate		USD1 = EUR 0.7186			USD1 = EUR 0.6793		USD1 = EUR 0.7593		USD1 = EUR 0.8477		

BANK NEDERLANDSE GEMEENTEN (BNG)

Assets & Off-Balance Sheet Items

	31 Dec 2008				31 Dec 2007			31 Dec 2006		31 Dec 2005	
	Year End	Year End	As % of	Average	Year End	As % of	Year End	As % of	Year End	As % of	
	USDm	EURm	Assets	EURm	EURm	Assets	EURm	Assets	EURm	Assets	
	Original	Original	Original	Original	Original	Original	Original	Original	Original	Original	
A. Loans											
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
2. Other Consumer/ Retail Loans	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
3. Corporate & Commercial Loans	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
4. Other Loans	100,562.2	72,259.0	71.29	69,511.5	66,764.0	72.10	65,637.0	72.85	64,196.0	70.03	
5. Less: Reserves for Impaired Loans/ NPLs	41.8	30.0	0.03	30.0	30.0	0.03	30.0	0.03	30.0	0.03	
6. Total Loans Net of Reserves	100,520.5	72,229.0	71.26	69,481.5	66,734.0	72.07	65,607.0	72.82	64,166.0	70.00	
7. Memo: Gross Loans	100,562.2	72,259.0	71.29	69,511.5	66,764.0	72.10	65,637.0	72.85	64,196.0	70.03	
8. Memo: Impaired Loans included above	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00	
9. Memo: Loans at Fair Value included above	1,127.3	810.0	0.80	596.0	382.0	0.41	613.0	0.68	n.a.	-	
B. Other Earning Assets											
1. Loans and Advances to Banks	12,464.0	8,956.0	8.84	9,511.5	10,067.0	10.87	8,869.0	9.84	9,275.0	10.12	
2. Trading Securities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
3. Derivatives	11,809.9	8,486.0	8.37	5,375.0	2,264.0	2.44	2,668.0	2.96	5,869.0	6.40	
4. Available for Sale Securities	7,215.9	5,185.0	5.12	7,834.0	10,483.0	11.32	9,703.0	10.77	11,266.0	12.29	
5. Held to Maturity Securities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
6. At-equity Investments	146.1	105.0	0.10	103.5	102.0	0.11	37.0	0.04	n.a.	-	
7. Other Securities	7,904.8	5,680.0	5.60	3,795.0	1,910.0	2.06	2,681.0	2.98	n.a.	-	
8. Total Securities	27,076.8	19,456.0	19.19	17,107.5	14,759.0	15.94	15,089.0	16.75	17,135.0	18.69	
9. Memo: Government Securities included Above	5,330.2	3,830.0	3.78	3,283.5	2,737.0	2.96	3,936.0	4.37	4,599.0	5.02	
10. Investments in Property	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
11. Insurance Assets	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
12. Other Earning Assets	0.0	0.0	0.00	1.0	2.0	0.00	0.0	0.00	0.0	0.00	
13. Total Earning Assets	140,061.2	100,641.0	99.29	96,101.5	91,562.0	98.88	89,565.0	99.41	90,576.0	98.81	
C. Non-Earning Assets											
1. Cash and Due From Banks	691.7	497.0	0.49	491.0	485.0	0.52	276.0	0.31	613.0	0.67	
2. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
3. Fixed Assets	33.4	24.0	0.02	21.5	19.0	0.02	26.0	0.03	24.0	0.03	
4. Goodwill	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
5. Other Intangibles	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
6. Current Tax Assets	44.5	32.0	0.03	16.0	0.0	0.00	0.0	0.00	43.0	0.05	
7. Deferred Tax Assets	83.5	60.0	0.06	67.0	74.0	0.08	62.0	0.07	80.0	0.09	
8. Discontinued Operations	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
9. Other Assets	154.5	111.0	0.11	286.5	462.0	0.50	169.0	0.19	335.0	0.37	
10. Total Assets	141,068.8	101,365.0	100.00	96,983.5	92,602.0	100.00	90,098.0	100.00	91,671.0	100.00	
D. Off-Balance Sheet Items											
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
2. Liquidity Lines to SPEs	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
3. Guarantees	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
4. Acceptances Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
5. Committed Credit Lines	9,033.5	6,491.0	6.40	6,080.0	5,669.0	6.12	4,398.0	4.88	n.a.	-	
6. Other Contingent Liabilities	1,181.5	849.0	0.84	845.0	841.0	0.91	872.0	0.97	n.a.	-	
7. Total Business Volume	151,283.8	108,705.0	107.24	103,908.5	99,112.0	107.03	95,368.0	105.85	91,671.0	100.00	
8. Memo: Total Weighted Risks	14,470.8	10,398.0	10.26	10,221.6	10,045.1	10.85	9,312.0	10.34	8,386.0	9.15	
Exchange Rate		USD1 = EUR 0.7186			USD1 = EUR 0.6793		USD1 = EUR 0.7593		USD1 = EUR 0.8477		

BANK NEDERLANDSE GEMEENTEN (BNG)

Liabilities and Equity

	31 Dec 2008				31 Dec 2007		31 Dec 2006		31 Dec 2005	
	Year End USDm	Year End EURm	As % of Assets	Average EURm	Year End EURm	As % of Assets	Year End EURm	As % of Assets	Year End EURm	As % of Assets
	Original	Original	Original	Original	Original	Original	Original	Original	Original	Original
E. Interest-Bearing Liabilities										
1. Customer Deposits - Current	8,961.1	6,439.0	6.35	6,453.5	6,468.0	6.98	5,127.0	5.69	4,754.0	5.19
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Total Customer Deposits	8,961.1	6,439.0	6.35	6,453.5	6,468.0	6.98	5,127.0	5.69	4,754.0	5.19
5. Deposits from Banks	4,571.7	3,285.0	3.24	4,712.5	6,140.0	6.63	3,283.0	3.64	2,272.0	2.48
6. Other Deposits and Short-term Borrowings	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
7. Total Deposits, Money Market and Short-term Funding	13,532.8	9,724.0	9.59	11,166.0	12,608.0	13.62	8,410.0	9.33	7,026.0	7.66
8. Long-term Borrowing	110,162.1	79,157.0	78.09	74,581.0	70,005.0	75.60	72,189.0	80.12	73,020.0	79.65
9. Subordinated Borrowing	236.6	170.0	0.17	166.5	163.0	0.18	163.0	0.18	167.0	0.18
10. Other Funding	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
11. Total Long Term Funding	110,398.7	79,327.0	78.26	74,747.5	70,168.0	75.77	72,352.0	80.30	73,187.0	79.84
12. Derivatives	13,024.8	9,359.0	9.23	8,304.5	7,250.0	7.83	6,314.0	7.01	7,583.0	8.27
13. Trading Liabilities	1,100.8	791.0	0.78	518.5	246.0	0.27	159.0	0.18	234.0	0.26
14. Total Interest Bearing Liabilities	138,057.2	99,201.0	97.87	94,736.5	90,272.0	97.48	87,235.0	96.82	88,030.0	96.03
F. Non-Interest Bearing Liabilities										
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	2.8	2.0	0.00	2.0	2.0	0.00	3.0	0.00	3.0	0.00
4. Current Tax Liabilities	0.0	0.0	0.00	2.5	5.0	0.01	1.0	0.00	n.a.	-
5. Deferred Tax Liabilities	32.0	23.0	0.02	14.5	6.0	0.01	5.0	0.01	8.0	0.01
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
9. Other Non-interest Bearing Liabilities	222.7	160.0	0.16	212.0	264.0	0.29	278.0	0.31	485.0	0.53
10. Total Liabilities	138,314.7	99,386.0	98.05	94,967.5	90,549.0	97.78	87,522.0	97.14	88,526.0	96.57
G. Hybrid Capital										
1. Pref. Shares and Hybrid Capital accounted for as Debt	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00
2. Pref. Shares and Hybrid Capital accounted for as Equity	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00
H. Equity										
1. Common Equity	2,798.7	2,011.0	1.98	1,980.5	1,950.0	2.11	2,356.0	2.61	2,791.0	3.04
2. Non-controlling Interest	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Securities Revaluation Reserves	-40.4	-29.0	-0.03	37.5	104.0	0.11	220.0	0.24	354.0	0.39
4. Accumulated Other Comprehensive Income	-4.2	-3.0	0.00	-2.0	-1.0	0.00	0.0	0.00	0.0	0.00
5. Total Equity	2,754.2	1,979.0	1.95	2,016.0	2,053.0	2.22	2,576.0	2.86	3,145.0	3.43
6. Total Liabilities and Equity	141,068.8	101,365.0	100.00	96,983.5	92,602.0	100.00	90,098.0	100.00	91,671.0	100.00
7. Memo: Fitch Core Capital	2,701.3	1,941.0	1.91	1,971.0	2,001.0	2.16	2,536.0	2.81	3,087.0	3.37
8. Memo: Fitch Eligible Capital	2,701.3	1,941.0	1.91	1,971.0	2,001.0	2.16	2,536.0	2.81	3,087.0	3.37
Exchange Rate		USD1 = EUR 0.7186			USD1 = EUR 0.6793		USD1 = EUR 0.7593		USD1 = EUR 0.8477	

BANK NEDERLANDSE GEMEENTEN (BNG)

Summary Analytics

	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005
	Year End EURm Original	Year End EURm Original	Year End EURm Original	Year End EURm Original
A. Interest Ratios				
1. Interest Income on Loans/ Average Net Loans	6.52	5.88	4.85	4.47
2. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	n.a.	n.a.	n.a.
3. Interest Income/ Average Earning Assets	4.75	4.29	3.51	3.25
4. Interest Expense/ Average Interest-bearing Liabilities	4.52	4.08	3.27	3.09
5. Net Interest Revenue/ Average Earning Assets	0.29	0.29	0.33	0.36
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	0.29	0.29	0.33	0.36
B. Other Operating Profitability Ratios				
1. Non-interest Income/ Gross Revenues	-13.52	8.93	3.56	3.73
2. Non-Interest Expense/ Gross Revenues	25.00	22.68	18.45	14.29
3. Pre-impairment Op. Profit/ Average Equity	9.18	10.00	8.80	9.48
4. Pre-impairment Op. Profit/ Average Total Assets	0.19	0.26	0.28	0.31
5. Credit Impairment Charges/ Pre-impairment Op. Profit	0.00	0.00	0.00	0.00
6. Operating Profit/ Average Equity	9.18	10.00	8.80	9.48
7. Operating Profit/ Average Total Assets	0.19	0.26	0.28	0.31
8. Taxes/ Pre-tax Profit	13.19	18.07	21.96	-12.68
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	7.97	8.19	6.87	10.68
2. Net Income/ Average Total Assets	0.16	0.21	0.22	0.35
3. Fitch Comprehensive Income/ Average Total Equity	1.11	3.28	2.24	22.83
4. Fitch Comprehensive Income/ Average Total Assets	0.02	0.09	0.07	0.74
5. Net Income/ Av. Total Assets plus Av. Managed Assets	n.a.	n.a.	n.a.	n.a.
D. Capitalization				
1. Fitch Eligible Capital/ Regulatory Weighted Risks	18.67	19.92	27.23	36.81
2. Tangible Common Equity/ Tangible Assets	1.95	2.22	2.86	3.43
3. Tier 1 Regulatory Capital Ratio	18.00	18.00	24.00	31.70
4. Total Regulatory Capital Ratio	20.00	20.00	26.00	33.32
5. Fitch Eligible Capital/ Tier 1 Regulatory Capital	101.36	108.05	106.42	116.14
6. Equity/ Total Assets	1.95	2.22	2.86	3.43
7. Cash Dividends Paid & Declared/ Net Income	50.00	49.74	49.75	43.09
8. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	359.09	124.36	152.31	20.15
9. Net Income - Cash Dividends/ Total Equity	3.99	4.77	3.88	5.63
E. Loan Quality				
1. Growth of Total Assets	9.46	2.78	-1.72	3.49
2. Growth of Gross Loans	8.23	1.72	2.24	2.12
3. Impaired Loans(NPLs)/ Gross Loans	0.00	0.00	0.00	0.00
4. Loan Impairment Reserves/ Gross Loans	0.04	0.04	0.05	0.05
5. Reserves for Impaired Loans/ Impaired Loans	n.a.	n.a.	n.a.	n.a.
6. Impaired Loans less Reserves for Imp Loans/ Equity	-1.52	-1.46	-1.16	-0.95
7. Loan Impairment Charges/ Average Gross Loans	0.00	0.00	0.00	0.00
8. Net Charge-offs/ Average Gross Loans	0.00	0.00	0.00	0.00
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	n.a.	n.a.	n.a.	n.a.
F. Liquidity				
1. Loans/ Customer Deposits	1,122.21	1,032.22	1,280.22	1,350.36
2. Loans/ Deposits and Short-term Funding	743.10	529.54	780.46	913.69
3. Liquid Assets/ Total Assets	n.a.	n.a.	n.a.	n.a.
4. Liquid Assets/ Wholesale Funding	n.a.	n.a.	n.a.	n.a.
5. Wholesale Funding/ Total Funding and Capital	87.25	82.77	86.84	87.83

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