

Credit Analysis

Moody's International Public Finance Government-Related Issuers

February 2009

Bank Nederlandse Gemeenten N.V.

The Hague, Netherlands

Summary Rating Rationale

In accordance with Moody's methodology for government-related issuers and the application of Moody's Joint Default Analysis, the Aaa rating with stable outlook of Bank Nederlandse Gemeenten N.V. (BNG) is composed of two inputs: a baseline credit assessment (BCA) of 1, on a scale of 1 to 21 (where 1 represent the lowest credit risk) and high support from the Dutch national government and high dependence.

The rating reflects BNG's importance of the Dutch public sector, BNG's role as a key financier to this system, its long history in this role, and its high asset quality. It also reflects its well-established business franchise built on its high market share good financial fundamentals and prudent risk policies and management.

The relationship between the Dutch national government and the local government sectors is strong. By being the majority owner of BNG, along with local governments, this relationship is reinforced, and the shared incentives of both parties to provide stable and low-cost financing support the long-term role of BNG in the sector. BNG has no history of losses in the sector. Profitability is low, and asset-liability management is conservative. BNG has begun to undertake loans to government-related private financing projects, within the boundaries of BNG's Articles of Association, which could increase its risk profile, were these positions to face credit weaknesses outside the shared control of BNG, the Dutch local government sector, and the Dutch National government policies.

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This Credit Analysis provides an in-depth discussion of credit rating(s) for Bank Nederlandse Gemeenten N.V. and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website. [Click here to link.](#)



Moody's Investors Service

Bank Nederlandse Gemeenten N.V.

Rating Outlook

The outlook for BNG's Aaa/Prime-1 long and short-term debt ratings are stable, reflecting BNG's low risk profile, its ownership structure involving the national sub-sovereign levels of government in the Netherlands, and its deeply entrenched franchise.

Issuer Overview

Bank Nederlandse Gemeenten (BNG) was established in 1914 as a specialised lender to the Dutch public sector, allowing local governments to raise cost-efficient loans. It is the largest public-sector lender in the Netherlands and the principal banker for the Dutch public sector in terms of loans, advances and intergovernmental money transfers. The bank is a specialised lender to local and regional authorities as well as to public-sector institutions such as utilities, housing, healthcare, welfare and educational institutions. In recent years, the bank has also begun limited lending to public-private partnerships.

BNG's bylaws stipulate that its ownership is restricted to the Dutch public sector. The Dutch central government directly owns 50% with the remaining 50% spread between Dutch municipalities, provinces and one water board.¹ The ownership structure has been stable since 1925, and BNG does not envisage any change.

At year-end 2007, BNG ranked as the fifth largest bank in the Netherlands by total assets, with a total of €92.6 billion (€94.8 billion as of June 30 2008).

Key Rating Considerations

Franchise Value

Competition

Many of the entities that in the past have provided loans to the public sector have withdrawn from this market as margins have fallen. BNG has a leading and still-increasing market share in lending to municipalities, housing associations and the healthcare sector.

BNG has approximately a 60% market share of the municipal sector. It also benefits from a high market shares in lending to housing associations (47%), healthcare entities (40%) and educational institutions as well as public utilities. Due to the improving liquidity position of local and regional authorities, BNG is gradually extending its strategy to other public sectors - notably to the healthcare sector. Loans to this last sector are guaranteed by WfZ (Waarborgfonds voor de Zorgsector, not rated), a government-owned entity set up to support the financing efficiency of this sector, and are zero-percent risk weighted under Dutch financial regulation.

BNG's franchise benefits from consistent earnings as the bulk of its income is largely generated from its stable core business of public sector lending.

Other Activities in Core Market

For more than 10 years, BNG has invested in public-private partnerships, both as a lender and for limited amounts of equity (see Risk Management section for further discussion of these factors).

To help local governments manage revenues from privatisations, BNG has also developed a financial advice and asset-management business. Funds under management are governed by FIDO (the act regulating investments for local governments) and have increased to €2.5 billion in 2007 from €2.4 billion in 2006. Whilst asset management remains an important service to the public sector, its revenues of €2 million in 2007 are not a major contributor to BNG's income.

¹ Water Boards are some of the oldest government authorities in the Netherlands. They are established by provincial ordinance, and handle the management of water levels, along with increasing remits for water treatment. Waterboards are funded by charges to residents, landlords and businesses.

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BNG has also expanded its business outside the Netherlands and may make loans and may purchase securities for its own liquidity portfolio outside of its traditional sectors. The bank's Articles of Association limit non-Dutch exposures to 15% of its balance sheet (10.4% realised at year-end 2007) and to the "old" EU-15 countries. In practice, these exposures are limited to highly rated entities or to other local governments outside of the Netherlands, which should pose no greater risk than the liquidity investments of other government-related specialised lenders in Europe.

Ownership

The Dutch local government sector is responsible for a significant part of total government spending – equal to approximately 15% of GDP and 35% of total government spending² – in the Netherlands. Although BNG is not explicitly guaranteed by the state, Moody's views the likelihood of its support from central government as high, given the importance of BNG's role to the sector. The central government's 50% ownership underscores this relationship. As the main shareholder, it has a significant voice in setting capital levels and dividend policy (see discussion under Capital Adequacy below), which are central to BNG's strong credit. In recent years, large one-time dividends have reduced BNG's capital position, but still leave it with levels that are very robust by comparison to other specialised lenders. Moody's does not view that this withdrawal of dividends indicates the Dutch government would take any steps which might compromise the bank's role within the overall governmental financial structure.

BNG's importance has been emphasised by its ability to maintain stable operations throughout recent market dislocations: it has continued its lending to the government and government-related sectors at competitive rates. In light of this experience and in respect to its historically strong competitive position, it is hard to imagine commercial banks or other financial institutions filling the place of BNG, without incurring higher financing costs to its clients.

Risk Positioning

Corporate Governance

The board is well-diversified with members bringing high-level experience in the finance sector, the national government, and local governments. BNG has a thorough process for recruiting its supervisory board; members are evaluated on their performance and are not re-elected automatically.

In 2007, BNG decided to create a single Risk Control Department out of what had previously been departments separately managing credit risk, market risk and operational risk. The Risk Control Department classifies, quantifies and monitors the risks and reports to the responsible bodies. The internal audit committee carries out regular reviews to assess and improve the risk-management practises.

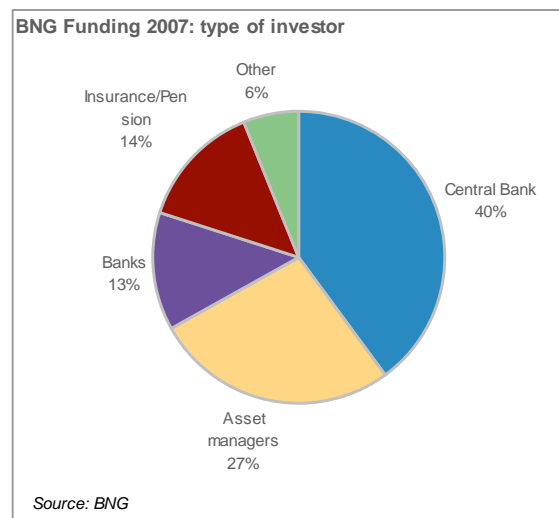
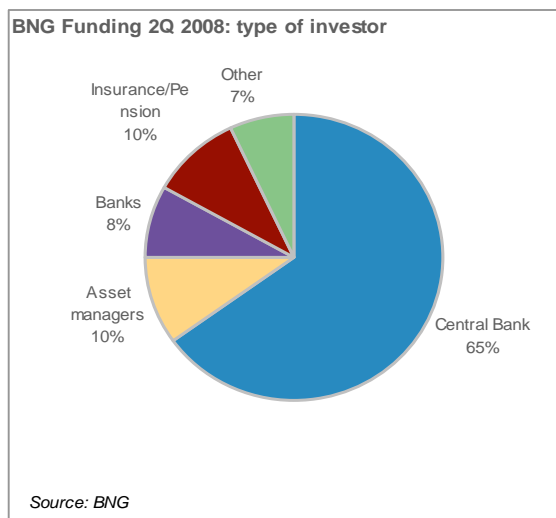
Since 2007, BNG has reported in accordance with Basel II. It uses the "standardised approach" for credit risk, and "basic indicator approach" for operational risk.

Funding

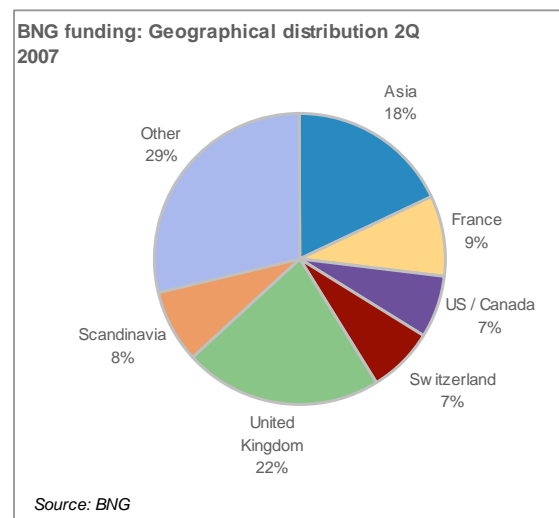
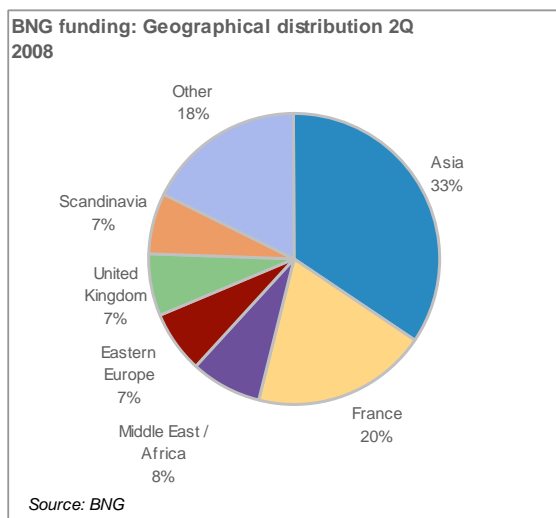
BNG relies mainly on the capital markets for its financing (86.3%) and has only limited amounts of retail deposits from local governments (8.3%) and interbank funding (5.2%). In recent years, BNG has diversified its borrowing in currencies, national markets and types of financing structures.

² Local Finance in the twenty five countries of the European Union, Dexia, 2004, p. 81

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Exhibit 1

Like other specialised lenders, BNG has found the benchmark market (single currency, large volume transactions) less attractive, as general market rates could force substantial increased charges for its own lending.³ BNG has therefore continued to make good use of targeted opportunities, including private placements through specialised national markets it has developed throughout the world. As can be seen from exhibit 1 above and exhibit 2 below, the opportunities from these markets may be variable from one year to the next and emphasis may vary from longer to shorter maturities.

Exhibit 2

BNG's competitive advantage in the field of low-margin public-sector finance is its broad diversified funding structure, which provides it with the benefit of significant funding flexibility. BNG undertakes the vast bulk of its borrowing with 'plain-vanilla' structures. Like other specialised lenders, however, it may issue notes with more variable payments in response to specific demands of sophisticated investors, often in specific markets which may from time-to-time increase in importance to its overall funding activities. Such notes may be more variable in market valuation. BNG hedges its own exposures to such valuations⁴, and manages these instruments including any reputational impacts from such variable market valuation within its broader debt financing activities. We regard BNG's strong global recognition and reputation as a borrower as a major strength and essential to its future success. Therefore BNG must maintain a strategic priority to protect its standing in the market.

³ In the beginning of December, BNG was able to place a €1.25 billion benchmark deal in the market

⁴ Hedging still incurs counter-party risk. See Asset Quality for discussion of such risk.

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Operational risk

BNG bases its management of operational risk on Basel II, and the policies and management systems have been tested for compliance as part of the implementation. There were no significant losses to BNG due to operational risk in 2007 or 2006.

Asset Liability Management

BNG's business franchise is predominantly to a highly secure domestic market. Internal limits enforce this position, with no changes contemplated. More than 90% of its loan portfolio at year end 2007 is either Dutch-local-government or Dutch-government risk and therefore zero-percent risk weighted. Moody's notes that BNG's overall risk is increased by its investments in PPPs and certain privatised investments, but this is mitigated by the limited size of the individual investments. (See more under Asset Quality, below).

BNG hedges all its currency and interest-rate risk with derivatives. As at the end of 2007, a 200bps parallel shift of the yield curve would have resulted in a reduction in the market value of BNG's interest-bearing securities of €250 million, while a 50bps decrease in interest rates would lead to a 0.6% decline in BNG's interest rate income.

Asset-liability management is not seen as a profit centre, and gains/losses in this area have been limited by tightly monitored duration matching.

Financial Position and Performance

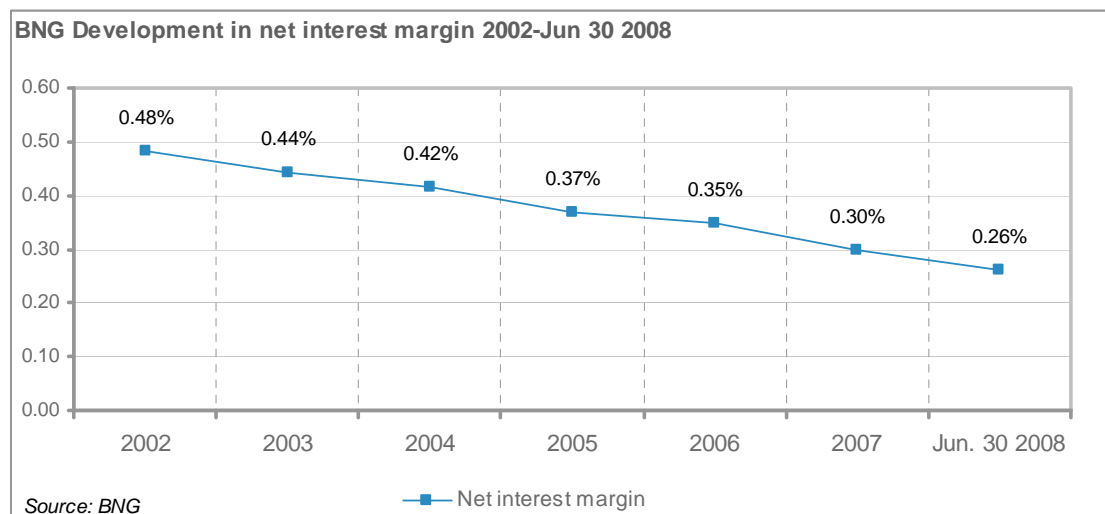
Like other government-related specialised lenders, BNG must produce satisfactory profits to keep capital sufficient to support future lending growth, yet balance this against its mandate of providing efficient, low-cost funding to reduce costs to its owners and tax payers.

Operating revenues have little diversification: from 2002-2007 more than 95% came from net interest income and the bulk of that from its government-oriented lending. The balance came from the investment of reserve capital. Like other government-related lenders rated by Moody's, the stability and high-quality of BNG's target market render the concentration of lending not a concern.

Whilst BNG's net interest margin remains fairly high compared to its peers, the graph below shows that it has been under consistent pressure. From 2002 to 2007, this was due to declining risk premiums within the capital markets. In 2008, as the global financial crisis spread, net interest margins felt the impact of a) funding spreads widening, b) some limited impacts on the valuation of investment and hedging positions as they affected the income statement, c) BNG's restraint to pass on such costs via raising its lending rates, and d) extra dividends paid to shareholders⁵. In the first six months of 2008, pre-tax income was €88 million compared to €137 million the first six months of 2007, a decline with 36%.

⁵ BNG estimates the extra cost for this to be approximately €22 million in both 2007 and 2008

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Exhibit 3

Moody's anticipates that the net interest margin will remain under pressure as borrowers refinance older loans originally entered into at relatively high margins. BNG's goal of maintaining stable financing for the local government sector – and in the process dampening variability and increases on the cost of funding to its clients – may limit any significant growth in net interest margin in the near term. Continuing competition with NWB, an organisation with broadly similar purpose, may reinforce this pressure.

Moody's notes that despite the reduction in margins, BNG's profitability remains appropriate for the low level of risk and exceptionally strong asset quality that underlie its business. Current margins should allow for continued additions to capital to support further lending growth to the 0% risk-weighted entities in its sector.

BNG's use of IFRS hedge accounting contributes a small but manageable amount of volatility to income. Whilst it uses derivatives only for hedging (see Asset Liability Management above), BNG cannot qualify all such contracts within its hedge accounting. Consequently, the fair value changes of some of the derivatives flow through the income statement.

Liquidity

As BNG relies on market funds to finance its lending, it must maintain substantial liquidity to continue its business if capital-market access were to be interrupted.

With liquid assets as a percentage of total assets standing at 26.1% at June 30 2008, the bank's liquidity compares well with other European specialised lenders. At June 30 2008, BNG had cash and cash equivalent €1.2 billion (1.2%), inter-bank €9.1 billion (9.6%) and securities €15.1 billion (16.0%).

It also has to be noted that local government loans and social-housing loans guaranteed by WSW (Waarborgfonds Sociale Woningbonen, Aaa with stable outlook) can be offered for repurchase with the Dutch central bank. This would provide liquidity without resorting to sales and therefore would avoid the need for forcing sales in what for now may be thinly traded markets. Overall, Moody's takes comfort in the comprehensive liquidity management BNG has in place.

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Capital Adequacy

BNG has traditionally maintained a relatively high payout ratio of around 43% of annual profits which was increased to 50% in 2006. In December of 2006 and of 2007, BNG made additional payments of €500 million to shareholders. These payments have contributed to the decline in its Tier-1 capital ratio from 32% in 2005 to 19% as of June 30 2008. Despite the decline, the resulting level was closely targeted, and compares well with other specialised lenders. As a result of these dividends, total capital as a percentage of total assets has decreased from 3.4% in 2005 to 2.0% as of June 30 2008, which also compares very well compared to its peers. BNG anticipates that it can maintain its high capital ratios under its current business profile. Moody's notes that a significant expansion of the proportion of lending or investment in public-private partnerships (see Asset Quality below) beyond current levels could depress capital ratios and, from this decline, cause downward pressure on BNG's baseline credit assessment.

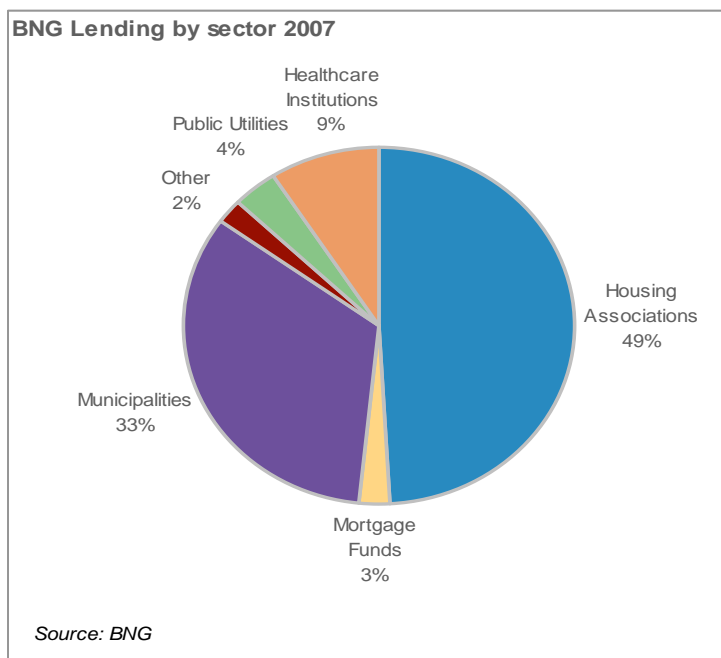
Efficiency

BNG's size allows it to spread costs and is a competitive advantage in its market. The ratio of costs to average assets at 6bps is lower than that of most other specialised lenders. BNG has recently made significant efforts in out-sourcing, with headcount decreasing from 413 at year-end 2003 to 229 at June 30 2008. Personnel expenses decreased 20% in 2007 from the prior year, although other operating expenses, including the cost of transition and the costs of outsourcing, increased by roughly the same amount.

Asset Quality

BNG may lend only to public sector entities, and the bank has never suffered a loan loss. The largest 10 loans represent 2.6% of total lending and 65.8% of shareholder equity. In spite of its limited markets within a single, geographically small country, these concentrations are subject to strong government oversight and control, are well-managed by BNG and pose little risk.

Exhibit 4



As seen exhibit 4, around 50% of BNG's loan portfolio is to Dutch housing associations, which are guaranteed either by Stichting Waarborgfonds Sociale Woningbouw (WSW, Aaa, stable outlook), by local governments (not rated, but within an institutional framework closely tied to the sovereign), or a combination of both. Borrowing by BNG's housing association clients has increased in recent years to pay for new construction and regeneration of social housing. This lending market is also the most competitive of those to which BNG lends.

Local governments (i.e. municipalities and provinces) currently account for 33% of BNG's lending, with demand from continuing investment.

Healthcare authorities have also been

increasing their borrowing and today make up roughly 10% of BNG's lending. Almost all BNG's lending to healthcare authorities is long-term and guaranteed by municipalities or by WfZ.

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Loans without guarantee are limited

The non-public-sector-guaranteed entities, shown in 'other' in the above graphic, are typically water-, waste- or energy-distribution companies that have been partly privatised⁶. These exposures increase the risks in the lending portfolio for BNG and are reflected in their respective risk weightings; no losses from these loans have materialised. As of year-end 2007, the largest exposure without guarantee from the government or a local government entity represents 0.4% of the total portfolio and 14.7% of shareholders' equity.

BNG has reduced its exposure to the property/mortgage bank ABN AMRO Bouwfonds Nederlandse Gemeenten N.V., since it became ineligible for new loans when in April 2005 ABN AMRO (deposits and senior debt at Aa2, on review for downgrade) increased its ownership to 100%.

Another activity for BNG is lending to public-private partnerships (PPPs), undertaken by BNG's 100% owned subsidiary OPP. In the case of developments of land, OPP also takes limited equity investments, along with local governments, against internally set thresholds of exposure against total equity. OPP has so far invested in 20 projects for a total equity of €55 million. The investments in land have been in the planning and co-ordination phase, and opposed to the higher risk phase of construction.

Counterparty risk is tightly monitored

BNG's risk management group monitors all counterparties, and exposures must conform to internal guidelines. BNG's derivative positions have increased in recent years. At year-end 2007 they stood at a notional amount of €173 billion, up from €157 billion at the end of 2006. However, the Credit Equivalents⁷ is only approximately 1% of this exposure, €1.7 billion in 2007 (€1.5 in 2006).

Of the €15.1 billion of securities held at June 30 2008, 26% are in highly rated government or government-related securities (€2.7 billion at year end 2007) and €2.3 billion (15%) relates to derivatives⁸. Of the €12.8 billion in investments, €5.2 billion consist of residential mortgage-backed securities (RMBS) and €1.2 billion of covered bonds, all of which carry a Aaa-rating. The RMBS-related securities are all prime mortgages in Western Europe, of which €1.2 billion are guaranteed by the Dutch National Mortgage Guarantee Scheme.

Roughly 18% (€2.3 billion) of the €12.8 billion of securities is held in the trading portfolio. The balance of €10.6 billion is defined as available for sale, with changes in fair value flowing directly to equity. The effect of the current financial crisis in the first six months of 2008 was a revaluation of minus €128 million, with €28 million flowing through the income statement and €100 million reducing the revaluation reserve within equity. Whilst this revaluation is significant, it has a relatively small impact on total equity and poses no difficulties for BNG's business activities.

Rating History

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Date	Rating
5 July 1995	Aaa

⁶ In accordance with BNG's Articles of Association, they are still eligible customers as long as they are majority owned by public entities

⁷ The credit risk for derivatives is expressed in terms of credit equivalents on the basis of regulations of the Dutch Central Bank. The credit equivalent consists of the market value including a premium for future risk.

⁸ Derivatives related to hedge accounting and a value adjustment concerning the effective part of the market value adjustments due to interest rate risks of assets hedged at portfolio level

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Annual Statistics

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Summary Balance Sheet (local currency million)	Jun 30 08	2007	2006	2005	2004	2003
Cash & central bank	1,155	485	276	613	344	200
Due from banks	9,068	10,067	8,869	9,275	8,394	6,939
Securities	15,098	13,090	12,997	11,266	12,793	11,472
Gross loans	68,990	66,067	65,024	64,196	62,836	61,152
Loan loss reserves (LLR)	0	-30	-30	-30	0	0
Insurance assets	0	0	0	0	0	0
Fixed assets	21	19	26	24	27	33
Other assets	459	2,904	2,936	6,327	4,187	4,109
Total assets	94,791	92,602	90,098	91,671	88,581	83,905
Total assets (USD million)	133,148	135,389	118,808	108,131	120,404	105,834
Total assets (EUR million)	94,791	92,602	90,098	91,671	88,581	83,905
Demand deposits	6,877	6,468	5,127	2,459	1,156	1,231
Savings deposits	0	0	0	2,295	4,199	5,050
Due to banks	4,322	6,140	3,283	2,272	5,410	6,311
Market funds	71,399	70,251	72,348	73,254	64,462	58,760
Insurance liabilities	0	0	0	0	0	0
Other liabilities	10,113	7,527	6,601	8,079	10,501	9,713
Total liabilities	92,711	90,386	87,359	88,359	85,728	81,065
Subordinated debt	165	163	163	167	173	173
Shareholders' equity	1,915	2,053	2,576	3,145	2,680	2,565
Total capital funds	2,080	2,216	2,739	3,312	2,853	2,840
Total liabilities & capital funds	94,791	92,602	90,098	91,671	88,581	83,905
Derivatives - notional amount	--	172,955	156,533	137,824	118,240	109,254
Derivatives - replacement value	--	3,083	1,898	2,875	2,012	1,575
Contingent liabilities	--	6,510	5,270	5,249	4,316	4,772
Risk weighted assets (RWA)	--	10,289	9,396	8,306	9,877	9,485
Memorandum items: PIBS	0	0	0	0	0	0
Assets under management (local currency million)	--	2,500	2,400	1,700	0	0
Number of employees	229	226	346	376	412	413

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Summary Balance Sheet (local currency million)	Jun 30 08	2007	2006	2005	2004	2003
Summary Income Statement						
+Interest income	2,154	3,868	3,145	2,837	2,939	3,103
-Interest expense	2,035	3,603	2,845	2,527	2,598	2,774
=Net interest income	119	265	300	310	341	329
+Trading income	-19	8	-1	2	1	-1
+Fee & commission income	11	14	11	7	6	5
+Insurance income (net)	0	0	0	0	0	0
+Dividend income and other operating income	5	4	3	0	2	12
=Operating income	116	291	313	319	350	345
-Personnel expenses	16	36	45	40	39	35
-Other operating expenses	13	26	16	15	16	13
= Operating funds flow	87	229	252	264	295	297
-Amortisation/depreciation	1	4	3	4	4	4
(Total operating expenses)	30	66	64	59	59	52
=Preprovision income (PPI)	86	225	249	260	291	293
-Loan loss provisions	0	0	0	0	0	0
+Impairment of goodwill, fixed assets and investments	0	0	0	13	0	0
+Result of subsidiaries and associates	2	13	6	3	8	0
+Non-recurring items	0	0	0	0	0	11
=Pretax income	88	238	255	276	299	304
-Taxes	15	43	56	-35	0	0
=Net income	73	195	199	311	299	304
-Minority interests	0	0	0	0	0	0
=Net income (group share)	73	195	199	311	299	304
Growth Rates (%)						
Gross loans	9	2	1	2	3	13
Total assets	5	3	-2	3	6	14
Customer deposits (demand and savings)	13	26	8	-11	-15	-15
Net interest income	-10	-12	-3	-9	4	5
Fee and commission income	57	27	57	17	20	25
Operating expenses	-9	3	8	0	13	6
Preprovision income	-24	-10	-4	-11	-1	4
Net income	-25	-2	-36	4	-2	7

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Bank Nederlandse Gemeenten N.V.

Summary Balance Sheet (local currency million)	Jun 30 08	2007	2006	2005	2004	2003
Income Statement in % Average Risk Weighted Assets						
Net interest income	--	3	3	3	4	4
Trading income	--	0	0	0	0	0
Fee and commission income	--	0	0	0	0	0
Insurance income	--	0	0	0	0	0
Operating income	--	3	4	4	4	4
Operating expenses	--	1	1	1	1	1
Preprovision income	--	2	3	3	3	3
Loan loss provisions	--	0	0	0	0	0
Non-recurring items	--	0	0	0	0	0
Net income	--	2	2	3	3	3
Liquidity, Funding (including sub debt) & Balance Sheet Composition						
Avg. liquid assets % avg. total assets	26.1	26.0	23.8	23.7	23.3	21.4
Avg. gross loans % avg. total assets	72.1	71.8	71.1	70.5	71.9	73.0
Avg. customer deposits % avg. total funding	8.0	7.2	6.1	6.5	7.9	10.0
Avg. interbank funds % avg. total funding	6.3	5.2	3.4	4.9	8.0	7.6
Avg. market funds (excl. interbank) % avg. total funding	85.4	87.4	90.2	88.4	83.9	82.2
Avg. sub debt % avg. total funding	0.2	0.2	0.2	0.2	0.2	0.3
Avg. liquid assets % avg. customer deposits	366.9	400.4	438.2	422.2	345.0	246.8
Avg. gross loans % avg. customer deposits	1,012.0	1,106.1	1,307.8	1,256.6	1,065.6	841.7
Avg. market funds reliance	--	--	--	--	--	69.0
Avg. RWA % avg. total assets	--	10.8	9.7	10.1	11.2	11.9
Breakdown of Operating Income in %						
Net interest income % operating income	102.6	91.1	95.8	97.2	97.4	95.4
Trading income % operating income	-16.4	2.7	-0.3	0.6	0.3	-0.3
Fee & commission income % operating income	9.5	4.8	3.5	2.2	1.7	1.4
Insurance income % operating income	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income % operating income	4.3	1.4	1.0	0.0	0.6	3.5

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Bank Nederlandse Gemeenten N.V.

Summary Balance Sheet (local currency million)	Jun 30 08	2007	2006	2005	2004	2003
Profitability						
Yield on avg. earning assets (%)	4.7	4.4	3.7	3.4	3.6	4.2
Cost of interest bearing liabilities (%)	4.9	4.4	3.5	3.2	3.5	4.0
Net interest margin (%) [6]	0.3	0.3	0.3	0.4	0.4	0.4
Recurring earning power (Pre-prov. inc. [PPI] % avg. assets)	0.2	0.2	0.3	0.3	0.3	0.4
Risk-weighted recurring earning power (PPI % avg. RWA)	--	2.3	2.8	2.9	3.0	3.1
Post-provision income % avg. assets	0.2	0.2	0.3	0.3	0.3	0.4
Post-provision income % avg. risk weighted assets	--	2.3	2.8	2.9	3.0	3.1
Return on average assets (%)	0.2	0.2	0.2	0.3	0.3	0.4
Return on avg. RWA (%)	--	2.0	2.2	3.4	3.1	3.2
Post-provision income % tier 1 capital	--	12.1	11.0	9.8	11.3	12.4
Return on equity (period end) (%)	7.6	9.5	7.7	9.9	11.2	11.9
Net interest income coverage of loan loss provisions	--	--	--	--	--	--
Loan loss provisions % preprovision income	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax income % operating income	75.9	81.8	81.5	86.5	85.4	88.1
Internal capital growth (%)	7.1	3.8	3.2	6.6	6.6	1.2
Dividend payout ratio (%)	0.0	49.7	49.7	43.1	43.1	90.1
Efficiency						
Cost/income ratio (op. expenses % op. income)	25.9	22.7	20.4	18.5	16.9	15.1
Adjusted cost/income ratio (incl. non-operating items)	24.1	18.2	18.5	13.5	14.6	11.9
Operating expenses % average assets	0.1	0.1	0.1	0.1	0.1	0.1
Operating income / employee (local currency thousand)	1,013	1,288	905	848	850	835
Operating expenses / employee (local currency thousand)	262	292	185	157	143	126
PPI / employee (local currency thousand)	751	996	720	691	706	709
Asset Quality and Risk Measurement						
Problem loans % gross loans	0	0	0	0	0	0
LLR % problem loans	--	--	--	--	--	--
LLR % gross loans	0	0	0	0	0	0
Loan loss provisions % gross loans	0	0	0	0	0	0
Problem loans % (shareholders' equity + LLR)	0	0	0	0	0	0
Replacement value % shareholder's equity	--	150	74	91	75	61

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Summary Balance Sheet (local currency million)	Jun 30 08	2007	2006	2005	2004	2003
Capital Adequacy (Period End)						
Tier 1 ratio (%)	19.0	18.0	24.0	32.0	26.0	25.0
Total capital ratio (%)	21.0	20.0	26.0	33.0	27.0	27.0
Shareholders' equity % total assets	2.0	2.2	2.9	3.4	3.0	3.1
Equity participations % shareholders' equity	5.6	5.0	1.4	1.2	1.2	1.0

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Moody's Related Research

Credit Opinion:

- Netherlands, Government of, November 2008 (

Analysis:

- Nederlandse Waterschapsbank N.V., August 2006 (98570)
- Netherlands, Government of, December 2007 (106475)
- Waarborgfonds Sociale Woningbouw, August 2008 (110636)

Banking System Outlook

- Banking System Outlook: Netherlands, February 2008 (107604)

Special Comment:

- Government Related Issuers: May 2007 Update, March 2005 (102945)

Rating Methodology:

- Rating Impact of 'GRI' Methodology for Non Depository Financial Institutions in the EMEA Region, June 2005 (93349)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Bank Nederlandse Gemeenten N.V.

Report Number: 113627

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