MOODY'S
INVESTORS SERVICE

Credit Opinion: NIBC Bank N.V.

Global Credit Research - 06 Jul 2011

The Hague, Netherlands

Ratings

Category	Moody's Rating
Outlook	Stable
Bank Deposits	Baa3/P-3
Bank Financial Strength	D+
Baseline Credit Assessment	Baa3
Adjusted Baseline Credit Assessment	Baa3
Senior Unsecured	Baa3
Subordinate -Dom Curr	Ba1
Pref. Stock	Ba2 (hyb)
Commercial Paper -Dom Curr	P-3
Other Short Term -Dom Curr	(P)P-3

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Key Indicators

NIBC Bank N.V. (Consolidated Financials)[1]

	[2]**12-10**	[2]**12-09**	[2]**12-08**	[3]**12-07**	[3]**12-06**
Total Assets (EUR million)	**28009**	**29166**	**28820**	**31809**	**32450**
(Market Funds - Liquid Assets) / Total Assets (%)	**49.18%**	**51.24%**	**64.69%**	**62.85%**	**54.49%**
Core Deposits / Average Gross Loans (%)	**25.36%**	**22.42%**	**11.40%**	**7.54%**	**14.35%**
Tier 1 Ratio (%)	**14.50%**	**16.20%**	**16.60%**	**12.00%**	**12.30%**

[1] All ratios are adjusted using Moody's standard adjustments [2] Basel II; IFRS [3] Basel I; IFRS

Opinion

RECENT CREDIT DEVELOPMENTS

On 3 June 2011, Moody's downgraded the long-term debt ratings of NIBC Bank N.V. to Baa3 from Baa2 and the short-term ratings to P-3 from P-2. This resulted from a downgrade of the Bank Financial Strength Rating (BFSR) to D+ from C-, and in the standalone Baseline Credit Assessment (BCA) to Baa3 from Baa2. The downgrade of the BFSR reflects a number of factors which we believe fit better into the 'D' category than the 'C' category in the BFSR scale, despite some recent improvements. This rating level reflects in particular the bank's material refinancing challenge over the coming years as government guaranteed debt falls due, its still limited franchise in competitive markets, its relatively high risk profile, and its volatile income statement. These weaknesses are partly offset by significant holdings of liquid assets, high capital ratios, a solid track record of expertise in its niche markets, and fair efficiency.

SUMMARY RATING RATIONALE

Moody's assigns a bank financial strength rating (BFSR) of D+ to NIBC, which translates into a Baseline Credit Assessment of Baa3/Prime-3. The rating reflects NIBC's niche franchises, sound capitalization, and fair efficiency, as well as its refinancing challenge over the coming years and its overall risk profile.

NIBC's Baa3/Prime-3 debt and deposit ratings are assigned at the same level as its Baseline Credit Assessment and do not currently incorporate any likelihood of support from the Dutch authorities, under Moody's assessment.

Credit Strengths

Sound capital ratios

Long-term financing structure

Resilient franchise in Dutch mid-cap corporate finance

Considerable experience in niche markets such as leveraged finance, shipping, infrastructure and real estate

Fair efficiency

Credit Challenges

Franchise is modest and focused around relatively cyclical activities, notably commercial real estate, leveraged loans, and shipping

High reliance on wholesale funding and in particular state guaranteed finance

High potential asset quality risk, albeit well collateralized

Historically volatile income statement, in part due to fair value accounting

Rating Outlook

The stable outlook reflects Moody's view that NIBC's BFSR is appropriately positioned at the D+ level, our expectation that profitability should continue to recover further, and that the bank is adequately prepared for its refinancing challenge.

What Could Change the Rating - Up

A reduced reliance on wholesale funding, particularly government guaranteed bonds, and a demonstratively stable deposit base could exert upward pressure on NIBC's BFSR. The Long-Term Deposit and Debt ratings would also be upgraded as a result of an upgrade of the BFSR.

What Could Change the Rating - Down

Any evidence of weakened liquidity or inability to improve the funding mix may result in a lower BFSR. Additionally, downward pressure on the bank's BFSR could stem from a further deterioration in asset quality or material unexpected losses.

The Long-Term and Short-Term Debt and Deposit ratings would be downgraded in the event of a downgrade of the BFSR.

Recent Results and Developments

On 25 May 2011, NIBC announced its first quarter profits for 2011, with net attributable profit of EUR21 million, an increase of 40% on 4Q10 and 5% higher than a year before. This was attributable to a further sharp increase in net interest income, which offset a continued decline in trading income. Impairments were stable versus a year earlier and decline QoQ. The Tier 1 ratio was 15.2% and Core Tier 1 13.5%. In March, NIBC issued EUR500 million of covered bonds backed by Dutch and German residential mortgages, at a yield of 105bp over mid-swaps. On 1st June 2011, NIBC issued its new residential mortgage backed securitization, DUTCH MBS XVI, for a total amount of EUR750 million.

In 2010, NIBC delivered net profit of EUR76 million, compared to EUR44mn in 2009. This was again the result of higher net interest income, and a material decline in impairments.

DETAILED RATING CONSIDERATIONS

Detailed considerations for NIBC's currently assigned ratings are as follows:

Bank Financial Strength Rating

Moody's assigns a D+ BFSR and a Baseline Credit Assessment of Baa3 to NIBC Bank, reflecting the bank's sound capital ratios, resilient (if niche) franchises, and fair efficiency. The BFSR also takes into consideration the bank's high reliance on wholesale funding, especially its use of state guaranteed finance, its low business diversification, elevated asset quality risk, and volatile income statement.

As a point of reference, the assigned BFSR of D+ is one notch below the outcome generated by Moody's bank financial strength scorecard. This notch better reflects the bank's reliance on wholesale funding and limited diversification, in our view.

Qualitative Factors (50%)

Factor 1: Franchise Value

Trend: Neutral

NIBC is a mid-sized commercial bank, specializing in two main activities, merchant banking and specialized finance. It is active in the broader Benelux region as well as Germany, and maintains offices in London, Frankfurt, Brussels and Singapore, in addition to its head office in The Hague.

The merchant banking business advises, finances and co-invests with clients across a broad range of industries. Its specialized finance business seeks to provide asset and project finance solutions, in particular to the shipping, oil and gas, infrastructure and renewables, and commercial real estate sectors.

In addition NIBC has some retail-oriented businesses on both the asset side - mortgage finance through distribution partners in the Netherlands and Germany - as well as on the liability side, via its online deposit-taking presence, branded NIBC Direct. This retail franchise, however, remains very limited in our opinion, as the mortgage business is intermediary-based.

While relatively small, NIBC has developed a reputation for expertise in the mid-cap sector, and thus operates within a niche less exploited by the larger investment banks. Nonetheless, it is not as diversified as its bigger competitors and has suffered from a relatively volatile revenue stream. Net fee and commission income - an indicator of core franchise strength and customer activity - declined to just EUR26 million in 2010, compared to EUR62 million in 2007. Another element of the bank's revenues - trading income - is also volatile, in part due to the fact that a

significant part of the balance sheet - including its mortgage books - is accounted for at fair value and therefore reflects movements in credit spreads. The relatively weak results in 2008 and 2009 also demonstrate the weak capital market conditions, leading to mark-downs on its book of equity investments and associates, some of which were reversed in 2010. At the same time, the expansion of net interest income and the growth in the loan book show that NIBC has been broadly able to maintain its presence in its chosen markets and take advantage of more advantageous conditions arising from the cyclical economic recovery and greater client confidence.

The overall score of D+ is in our view a fair reflection of NIBC's franchise, balancing its specialist skills against its narrow business and geographic focus, which makes it more vulnerable in our view to changes in the business cycle.

Factor 2: Risk Positioning

Trend: Neutral

In common with many banks, NIBC went through a period of risk reduction following the emergence of the financial crisis and certain losses in 2007. In addition, risk management procedures were overhauled, as well as changes in senior management, with a new CEO and a new Chief Risk Officer (CRO) being appointed 2008. The outgoing CRO, who has recently been nominated as the new head of banking supervision at the Dutch National Bank, is a member of the Managing Board, and chairs the Risk Management Committee, the Asset & Liability Committee, the Transaction Committee, and the Investment Committee. Risk management is centralized under the CRO, supported by the Credit Risk Management, ALM, Market Risk, Financial Markets Credit Risk and Risk Policy departments. Credit Risk Management also manages impaired assets or those at risk of being impaired.

Apart from the high level management changes, the governance structure has been simplified and improvements have been made to data quality. In addition, NIBC has taken steps to improve its liquidity and funding position, making extensive use of government guaranteed bonds, sourcing its own retail deposits, and reducing risk, notably shedding its exposure to US residential mortgage securities, reducing its US commercial real estate book, and cutting its proprietary trading activities. In addition, NIBC raised EUR400 million capital from its private equity shareholders in early 2008.

Notwithstanding these positive developments, Moody's believes that NIBC's risk profile remains fundamentally elevated. Its corporate loan book, totaling around EUR9.7bn billion of on and off-balance sheet exposure at end-2010, is concentrated in the equivalent of Moody's Ba and B categories, i.e. non-investment grade (albeit highly collateralized), and the portfolio expanded by 13% 2010. By country, the largest single concentration is to the Netherlands (37%) followed by the United Kingdom and Germany (17% each), and 17% to companies outside Europe.

In terms of industry concentration, the largest sector is commercial real estate, at 25% -- a slight reduction from its 29% share in 2008. Other exposures are spread across the major sectors, with some emphasis on shipping, trade, infrastructure and energy, and manufacturing. The portfolio includes EUR1.3 billion of leveraged finance exposures, and we believe that the overall risk of this portfolio is moderately high.

The loss rate relative to the total corporate book resulting from customers defaulting in 2010 was 91bp, up substantially from 67bp in 2009, and 34bp in 2008. It is also notable that the loss rate is not very high in absolute terms given the high anticipated default rate of the portfolio and underlines the extent of collateral underlying the portfolio, serving to reduce the loss rate. Collateral management is indeed key to NIBC's risk management and consists primarily of tangible assets such as property, ships and oil production facilities. Based on an estimate of fair market value at origination, NIBC categorizes its loans by loss-given-default (LGD), and in 2010, exposures shifted towards lower LGD loans, especially the 12.5% or lower categories. In addition NIBC has EUR205 million of investment management (otherwise known as mezzanine) loans, i.e. a junior part of the capital structure, on top of EUR341 million of equity investments.

By contrast NIBC's EUR10 billion of mortgage exposures appear to be of overall high quality with a loss rate of just 8bp recorded on the Dutch book in 2010 and 2bp losses on the smaller German book. Even so, we note that loss rates have been rising, mostly likely in response to the increase in unemployment since 2008.

Market risk has been significantly decreased due to the reduction in proprietary trading activities in 2008 and the shrinking of the securitized credit portfolio mentioned above, and trading activity is undertaken mainly to facilitate derivative transactions with corporate clients, together with some proprietary position taking in interest rates. The average Value at Risk on this portfolio rose to EUR0.7 million in 2010 compared to EUR0.5 million in 2009. The VaR rose sharply towards the year end, however, due to increased trading activity and position taking, as well as changes to the model parameters. Still, these figures are low in absolute terms and in Moody's view this activity does not represent a significant source of risk for NIBC, since certain trading activities were closed post-crisis. We note it is subject to limits which include daily P&L reporting and monitoring of nominal positions as well as statistical measures such as VaR and basis point value.

Interest rate risk also arises through the investment of NIBC's equity, of which the average duration is about 5 years, which is not significantly changed versus 2009. Nonetheless, given a steep yield curve and NIBC's high level of capitalization, this is rewarding position, with income of EUR29mn in 2010, essentially flat year-on-year.

Certain treasury activities were discontinued in 2007 and 2008 in response to market conditions, but NIBC retains EUR952 million of total exposure to securitized products, almost all of which have European underlying assets. Part of this (EUR289mn) is invested in Dutch AAA RMBS for liquidity purposes. Of the remainder, EUR591mn is invested in RMBS (43%), CDOs (27%) and CMBS (26%). Although 25% of the portfolio is non-investment grade, Moody's does not consider this a likely source of future losses as it is carried at fair value, which is at a discount of about 16%, a level which we consider to be probably below the ultimate economic value of the assets.

NIBC employs fair value accounting for an unusual portion of its balance sheet. While the majority of its corporate loan book is at amortized cost, part of it (EUR1.1 billion) is held at fair value and all of its EUR9.8 billion of mortgages (securitized or otherwise) are also held at fair value, together with other debt securities and equity investments. This introduces market risk into the income statement even though they are not treated as traded market risks for regulatory capital purposes.

As a predominantly wholesale funded institution, NIBC has greater reliance on market confidence for its funding than deposit-funded institutions, in Moody's view. For this reason the management of liquidity risk and the structure of its funding profile are key rating factors. NIBC's funding profile changed radically following its announcement of losses in 2007, and now derives 31% of its EUR21 billion funding from state guaranteed bonds. In addition, 19% of funds come from retail savings deposits in the Netherlands and Germany, sources developed entirely in the last few years. As is now common in the Netherlands, such savings are sourced via the internet, a channel which Moody's considers structurally more volatile than checking account balances. NIBC's key challenge in our view is to refinance the EUR6.6 billion of government guaranteed bonds, 44% of which matures in 2011 and 2012. We believe that a gradual normalization of credit markets and the continued availability of secured

funding (a EUR500 million covered bond issue was completed in March 2011, and a EUR750 million RMBS was issued in June 2011) will help NIBC restore a more balanced funding structure. In addition, we note that the extra funding attracted over the last two years has been substantially invested in liquid securities, notably a EUR1.3bn portfolio of financial institution paper, 38% of which is Aaa-rated and a further 60% at least A-rated, in order to pre-finance these maturities. In addition, we believe NIBC has substantial ECB-eligible assets (e.g. internally securitized mortgages) to withstand a stress scenario, as well as additional capacity to generate further such assets in case of need.

In our scorecard, we assign an overall score of C- to risk positioning.

Factor 3: Regulatory Environment

All Dutch banks are subject to the same score on the regulatory environment. This factor does not address bank-specific issues; instead, it evaluates whether regulatory bodies are independent and credible, demonstrate enforcement powers and adhere to global standards of best practices for risk control. Please refer to Moody's Banking System Outlook on the Netherlands, published July 2010, to obtain a detailed discussion of regulatory environment.

Factor 4: Operating Environment

Trend: Neutral

This factor is also common to all Dutch banks. Moody's assigns a score of A- for the overall operating environment of NIBC. Refer to Moody's Banking System Outlook for Netherlands published in July 2010, to obtain a detailed discussion on the operating environment.

Quantitative Factors (50%)

Factor 5: Profitability

Trend: Neutral

As already discussed, NIBC's income statement is characterized by a high level of volatility, due in part to the inherent sensitivity of its activities to the business cycle, and partly due to its use of fair value accounting. For these reasons, profitability came under intense pressure following the onset of the credit crisis, with the principal source of income, net interest, dividend income and commission income all falling substantially up until mid-2009. More recently these trends have mostly reversed and interest income increased sharply in 2010, partly offsetting a decline in trading income, resulting from less tightening in credit spreads. In 2010, revenue was thus essentially stable in 2010, at EUR315mn. This includes some effects from fair value accounting - notably, losses on NIBC's own credit spreads, gains on mortgage credit spreads, and higher valuations on private equity investments. The first two items have largely cancelled each other out in 2009-10, while private equity valuations have proved volatile, swinging from a net loss of EUR19mn in 2009 to a gain of EUR43mn in 2010.

Following a period of cost-cutting, expenses have stabilized and rose 6% in 2010 and pre-provision profit was thus around 4% lower at EUR152mn.

The two main business units have shown contrasting trends. NIBC's merchant banking business contributed more to pre-provision profits than the specialized finance business in 2010, at EUR92million versus EUR68milllion, reversing the situation of 2009, chiefly because of the gains on fair value assets described above, which are booked to merchant banking, and the decline in trading income in specialized finance. Impairments of financial assets, mainly corporate loans, fell back in 2010, enabling the merchant banking business to return to profit.

Overall, we view the trends positively, with an increased element of profitability coming from higher net interest margins, and a lower overall contribution from trading and gains on financial assets. Yet the income statement is likely to remain relatively volatile and unpredictable, in Moody's opinion, which is reflected in a D score for profitability.

Factor 6: Liquidity

Trend: Neutral

Moody's has historically regarded NIBC's liquidity position as a weakness, due to its largely wholesale market-sourced funding. Nonetheless, NIBC has built its cash and securities reserves and at year-end 2010, had available liquidity of approximately EUR3bn. We understand that this substantially improved post year-end following some internal management initiatives and covered bond issuance. This enables NIBC to cover the EUR1.4bn of maturing government guaranteed bonds, which is due in December 2011. In addition we expect NIBC to raise further funds this year through the RMBS market as well as via its savings arm, NIBC Direct.

NIBC's funding profile has stabilized in 2010 following dramatic change in previous years. As a result of reduced market funding, NIBC became a heavy user of state-backed borrowing (31% of total funding at end-2010), which starts to mature in 2011 and completes in 2014. NIBC's retail deposit program has had some success, accounting for 19% of total funding. Although EUR1.8bn (37%) of this funding is of over three months maturity, and experience to date has been positive, Moody's cautions that such deposits may not prove to be as "sticky" as retail deposits more generally. NIBC raised EUR500 million in the covered bond markets in March 2011. We note that currently about 20% of NIBC's total assets are encumbered via securitizations and covered bonds.

According to NIBC's own published liquidity stress tests, the bank would have almost EUR3 billion of liquidity after 12 months of outflows, assuming a run-off of both assets and liabilities. This takes into account its assumed collateralized funding capacity. In additional liquidity analysis, NIBC anticipates cashflows over a three-year period, assuming no wholesale unsecured funding is possible, but some possible growth in the loan book financed by secured funding and higher retail deposit balances, for example. This analysis is said also to result in a positive liquidity buffer over the period.

NIBC has a score of D- according to our scorecard.

Factor 7: Capital Adequacy

Trend: Neutral

NIBC has strong regulatory capital ratios. Its consolidated Core Tier 1 ratio at 31 March 2011 was 13.5%, with a Tier 1 ratio of 15.2%, slightly

higher than at year-end 2010. Regulatory capital ratios benefit from an average risk-weighting of 77% on the corporate loan books, which is low given the preponderance of non-investment grade exposures in this book, and reflects high assumed recovery rates under the Advanced Internal Ratings Based (AIRB) approach of Basel 2. The retail mortgages attract an average risk-weight of around 20%, reflecting the extensive collateral and low assumed default rates on Dutch mortgages. Equity exposures, on the other hand, are much more heavily weighted.

We note also that NIBC voluntarily took part in the EU-wide stress testing exercise in July 2010. The two-year adverse scenario resulted in a Tier 1 ratio of 12.2%, a decline of 3.3pp from end-2009. The chief cause was an assumed 2% cumulative loss rate on corporate exposures; NIBC has minimal sovereign exposures to Greece, Portugal and Ireland.

NIBC receives a score of A for capital. Given these factors, together with NIBC's relatively narrow focus, risk profile and funding structure, we view these capital ratios as adequate rather than strong.

Factor 8: Efficiency

Trend: Neutral

NIBC's efficiency is fair, with a cost/income ratio of 52%, excluding consolidated private equity companies and gains and losses on own credit and mortgages. This has been reasonably consistent since 2008 and reflects the fact that NIBC operates from a small number of offices and thus with a relatively light infrastructure footprint. Yet a low cost/income ratio is certainly merited, in Moody's view, given the business mix, volatile income streams and dependence on fair value gains. NIBC has demonstrated a certain flexibility in its cost structure, notably by reducing personnel expenses by over one-quarter since 2007, helping offset markdowns and increased cost of risk.

The bank scores B for efficiency.

Factor 9: Asset Quality

Trend: Weakening

We view NIBC's asset quality risk as relatively elevated owing to the loan portfolio's bias towards lower quality corporates and its sectoral bias. Moody's estimates the bank's NPL ratio to be 2.1% at end-2010, which is derived from adding mortgages past 90 days - which are not accounted as impaired as they are held at fair value - to impaired exposures. The NPL ratio for the corporate loan book was, on the same basis, 3.3% at end-2010, compared to 2.5% at end-2009. While the overall NPL ratio is roughly stable, in line with broader industry trends, we note that corporate loans in arrears increased very sharply in 2010, from 1% of the outstanding to 5.4%. We understand that this relates to fully collateralized exposure.

According to NIBC, a relatively low proportion (about 14%) of the exposure at default related to the corporate loan book subject to the AIRB is investment grade equivalent. Moody's notes that the loss rates on this portfolio - while cyclically elevated - are not as high as might be expected, at 91bp in 2010, due to its collateralized and structured nature, which have reduced loss given default.

Nonetheless we believe that the composition of the loan book - notably its exposures to shipping, commercial real estate, and leveraged finance - makes it potentially vulnerable to a further economic downturn. In general the portfolio is relatively concentrated in the Netherlands (37%), the UK (17%) and Germany (17%). The commercial real estate book is still more skewed towards the Netherlands and Germany, and is mainly exposed to multi-family property financing, as well as office and retail property. The fact that hotel financing and construction loans - which Moody's considers riskier elements of this book - total only 11% of the portfolio is a mitigating element. We note also that the shipping portfolio has some diversification, both geographically (notably about 45% is to the Asia / Pacific region), and by sub-sector (tankers being 48% and bulk vessels 17%).

The other main element of NIBC's loan book is the EUR10 billion retail mortgages portfolio. These mortgages are 95% in the Netherlands and the remainder in Germany. As is typically the case in the Netherlands, LTV ratios are high, with 14% of mortgage loans having a loan to market value of over 100%. Credit quality is very strong: NIBC states that losses on the Dutch mortgage book rose to 8bp in 2010, which is still low, and losses on the Germany mortgage book were 2bp. Arrears have been fairly stable: loans more than 90 days in arrears in the Netherlands rose to 0.5% from 0.4%, and in Germany loans more than 60 days in arrears rose to 1.7% from 1.5%.

We further note that NIBC has EUR205 million of investment management (previously known as mezzanine) loans, on top of EUR341 million of equity investments. These are inherently risky in our view, as exposures to the more junior parts of the capital structure.

NIBC scores C for asset quality on our current scorecard.

Global Local Currency Deposit Rating (Joint Default Analysis)

NIBC's Baa3/Prime-3 deposit and debt ratings incorporate two main elements: (1) its Baa3 Baseline Credit Assessment (BCA), which is mapped from its C- BFSR, and (2) the seniority of its deposits and debt.

Based on Moody's methodology, the ratings do not incorporate any systemic support expectations. Moody's acknowledges that the bank is eligible to the Dutch Guarantee Scheme and could potentially benefit from solvency support by the Dutch authorities. However, this support is temporary and therefore does not provide any uplift to the Baseline Credit Assessment of NIBC. Nor do they incorporate any shareholder support at present from the consortium of banks led by JC Flowers.

Notching Considerations

In line with Moody's new methodology entitled "Moody's Guidelines for Rating Bank Hybrid Securities and Subordinated Debt", published on 16 November 2009, NIBC's dated subordinated debt is rated Baa3 with negative outlook, i.e. one notch below the bank's senior debt rating.

The rating of the perpetual capital securities are based on i) NIBC's intrinsic financial strength, represented by the bank's Baa3 Baseline Credit Assessment ("BCA"); and ii) Moody's assessment of the absence of any parental or systemic support.

As such, the perpetual debt securities are rated Ba2 with stable outlook, i.e. two notches below the bank's Adjusted BCA, to reflect (i) their deeply subordinated claim in liquidation; and (ii) coupon deferral mechanism.

Foreign Currency Deposit Rating

The Baa3 foreign currency deposit ratings of NIBC are unconstrained given that the Netherlands, in common with other EU members, has a country ceiling of Aaa.

Foreign Currency Debt Rating

The Baa3 foreign currency debt ratings of NIBC are unconstrained given that the Netherlands, in common with other EU members, has a country ceiling of Aaa.

ABOUT MOODY'S BANK RATINGS

Bank Financial Strength Rating

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. BFSRs do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honour its domestic or foreign currency obligations. Factors considered in the assignment of BFSRs include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although BFSRs exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Global Local Currency Deposit Rating

A deposit rating, as an opinion of relative credit risk, incorporates the BFSR as well as Moody's opinion of any external support. Specifically, Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its deposit obligations. As such, they are intended to incorporate those aspects of credit risk relevant to the prospective payment performance of rated banks with respect to deposit obligations, which includes: intrinsic financial strength, sovereign transfer risk (in the case of foreign currency deposit ratings), and both implicit and explicit external support elements. Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes which make payments to depositors, but they do recognize the potential support from schemes that may provide assistance to banks directly.

According to Moody's joint default analysis (JDA) methodology, the global local currency deposit rating of a bank is determined by the incorporation of external elements of support into the bank's Baseline Credit Assessment. In calculating the Global Local Currency Deposit rating for a bank, the JDA methodology also factors in the rating of the support provider, in the form of the local currency deposit ceiling for a country, Moody's assessment of the probability of systemic support for the bank in the event of a stress situation and the degree of dependence between the issuer rating and the Local Currency Deposit Ceiling.

National Scale Rating

National scale ratings are intended primarily for use by domestic investors and are not comparable to Moody's globally applicable ratings; rather they address relative credit risk within a given country. A Aaa rating on Moody's National Scale indicates an issuer or issue with the strongest creditworthiness and the lowest likelihood of credit loss relative to other domestic issuers. National Scale Ratings, therefore, rank domestic issuers relative to each other and not relative to absolute default risks. National ratings isolate systemic risks; they do not address loss expectation associated with systemic events that could affect all issuers, even those that receive the highest ratings on the National Scale.

Foreign Currency Deposit Rating

Moody's ratings on foreign currency bank obligations derive from the bank's local currency rating for the same class of obligation. The implementation of JDA for banks can lead to high local currency ratings for certain banks, which could also produce high foreign currency ratings. Nevertheless, it should be noted that foreign currency deposit ratings are in all cases constrained by the country ceiling for foreign currency bank deposits. This may result in the assignment of a different, and typically lower, rating for the foreign currency deposits relative to the bank's rating for local currency obligations.

Foreign Currency Debt Rating

Foreign currency debt ratings are derived from the bank's local currency debt rating. In a similar way to foreign currency deposit ratings, foreign currency debt ratings may also be constrained by the country ceiling for foreign currency bonds and notes; however, in some cases the ratings on foreign currency debt obligations may be allowed to pierce the foreign currency ceiling. A particular mix of rating factors are taken into consideration in order to assess whether a foreign currency bond rating pierces the country ceiling. They include the issuer's global local currency rating, the foreign currency government bond rating, the country ceiling for bonds and the debt's eligibility to pierce that ceiling.

About Moody's Bank Financial Strength Scorecard

Moody's bank financial strength model (see scorecard below) is a strategic input in the assessment of the financial strength of a bank, used as a key tool by Moody's analysts to ensure consistency of approach across banks and regions. The model output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating Factors

NIBC Bank N.V.

Rating Factors [1]	**A**	**B**	**C**	**D**	**E**	**Total Score**	**Trend**
Qualitative Factors (50%)						**C**	

Factor: Franchise Value						D+	Neutral
Market Share and Sustainability			x				
Geographical Diversification			x				
Earnings Stability					x		
Earnings Diversification [2]							
Factor: Risk Positioning						C-	Neutral
Corporate Governance [2]							
- Ownership and Organizational Complexity							
- Key Man Risk							
- Insider and Related-Party Risks							
Controls and Risk Management			x				
- Risk Management			x				
- Controls			x				
Financial Reporting Transparency		x					
- Global Comparability	x						
- Frequency and Timeliness	x						
- Quality of Financial Information			x				
Credit Risk Concentration				x			
- Borrower Concentration				x			
- Industry Concentration				x			
Liquidity Management				x			
Market Risk Appetite			x				
Factor: Operating Environment						A-	Neutral
Economic Stability		x					
Integrity and Corruption	x						
Legal System	x						
Financial Factors (50%)						C-	
Factor: Profitability						D	Neutral
PPI / Average RWA - Basel II				1.25%			
Net Income / Average RWA - Basel II				0.42%			
Factor: Liquidity						D-	Neutral
(Mkt funds-Liquid Assets) / Total Assets					55.04%		
Liquidity Management				x			
Factor: Capital Adequacy						A	Neutral
Tier 1 Ratio - Basel II	15.77%						
Tangible Common Equity / RWA - Basel II	11.71%						
Factor: Efficiency						B	Neutral
Cost / Income Ratio		51.55%					
Factor: Asset Quality						C	Weakening
Problem Loans / Gross Loans	--	--	--	--	--		
Problem Loans / (Equity + LLR)	--	--	--	--	--		
Lowest Combined Score (15%)						D-	
Economic Insolvency Override						--	
Aggregate Score						C-	
Assigned BFSR						D+	

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non public information [2] - A blank score under Earnings diversification or Corporate Governance indicates the risk is neutral

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