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Research Update:

Nederlandse Waterschapsbank 'AAA/A-1+' Ratings Affirmed On Revised Methodology For Government-Related Entities

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Nederlandse Waterschapsbank 'AAA/A-1+' Ratings Affirmed On Revised Methodology For Government-Related Entities

Overview

- Standard & Poor's has revised its methodology for rating government-related entities.
- In accordance with our criteria, we are affirming our 'AAA/A-1+' ratings on Nederlandse Waterschapsbank.
- The stable outlook reflects NWB Bank's stable stand-alone credit profile and the stable outlook on our ratings on the Dutch government.

Rating Action

On July 15, 2009, Standard & Poor's Ratings Services affirmed its 'AAA/A-1+' long- and short-term counterparty credit ratings on Dutch public sector lender Nederlandse Waterschapsbank N.V. (NWB Bank). The outlook is stable.

Rationale

The ratings on NWB Bank are based on the implicit support the bank receives from the Dutch Ministry of Finance, arising from NWB Bank's public-sector mandate and combined ownership by the State of The Netherlands (AAA/Stable/A-1+) and other Dutch public authorities. We regard NWB Bank as a government-related entity (GRE) and expect it to continue to play a prominent public policy role as one of the key lenders to the Dutch public sector.

In accordance with our criteria for GREs, our rating approach is based on our view of NWB Bank's:

- "Very important" role as the State's development bank with a public policy role, and
- "Very strong" link as the bank acts essentially as an arm of the State.

As a result, we consider that there is a "very high" likelihood that the State would provide timely and sufficient extraordinary support to NWB Bank in the event of financial distress. The ratings on NWB Bank therefore benefit from a two-notch differential from its stand-alone credit profile.

The ratings are also supported by NWB Bank's excellent asset quality, comfortable capitalization, strong liquidity, satisfactory profitability, and good efficiency. NWB Bank reported total assets of €48 billion at Dec. 31, 2008, making it the seventh-largest bank in The Netherlands. Although NWB Bank's obligations do not carry a state guarantee, central government support is indicated by NWB Bank's shareholders, all of which are public sector entities. The government holds 17% of NWB Bank, water boards 81%, and Dutch provinces the remaining 2%.

NWB Bank's strategic direction is limited by its articles of association,

which restrict its ownership and activities to the public sector. Like its nearest peer and main competitor, Bank Nederlandse Gemeenten N.V. (AAA/Stable/A-1+), NWB Bank's primary focus is its public policy role of providing cost-effective funding to the Dutch public sector, rather than profit maximization. Consequently, the majority of lending is to Dutch housing associations, municipalities, and water boards. We expect that NWB Bank will remain within its public sector mandate and maintain its low risk profile.

Outlook

The stable outlook reflects Standard & Poor's expectation that NWB Bank's ownership structure and its implicit support from the Dutch Ministry of Finance will remain unchanged. The outlook also reflects the expectation that NWB Bank will maintain its strategic focus on the Dutch public sector, robust domestic market position and client franchise, excellent credit record, and strong capitalization.

A negative rating action could result from a reassessment of NWB Bank's public policy role in The Netherlands and the level of support provided by the State, negative rating action on the ratings on the Dutch government, or a weakening of NWB Bank's stand-alone credit profile.

Related Research

- "Enhanced Methodology And Assumptions For Rating Government-Related Entities," published on June 29, 2009, on Ratings Direct.

Ratings List

Ratings Affirmed

Nederlandse Waterschapsbank N.V.

Counterparty Credit Rating	AAA/Stable/A-1+
Certificate Of Deposit	AAA/A-1+
Senior Unsecured	AAA

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