FitchRatings

RATING ACTION COMMENTARY

Fitch Takes Rating Action on Seven Dutch Banks on Coronavirus Disruption

Wed 01 Apr, 2020 - 3:56 PM ET

Fitch Ratings - Paris - 01 Apr 2020: Fitch Ratings has taken rating action on seven Dutch banks in light of the coronavirus outbreak in Europe as detailed below.

Long-Term Issuer Default Rating (IDR) affirmed; Outlook Negative

ABN AMRO Bank N.V.

Long-Term Issuer Default Rating (IDR) affirmed; Outlooks revised to Negative from Stable:

de Volksbank N.V.

Van Lanschot Kempen Wealth Management N.V.

IDRs placed on Rating Watch Negative (RWN):

Cooperatieve Rabobank U.A.

ING Groep N.V.

ING Bank N.V.

ING Belgium NV/SA

NIBC Bank N.V.

Long-Term Issuer Default Rating (IDR) downgraded; Outlook revised to Negative from Stable

Credit Europe Bank N.V.

While the ultimate economic and financial market implications of the coronavirus outbreak are unclear, Fitch considers the risks to banks' credit profiles to be clearly skewed to the downside and this has driven the rating actions. Fitch expects significant deterioration in eurozone GDP prospects, including the Netherlands.

Fiscal support measures for the private sector and financial markets are supportive of the banks' asset quality. The Dutch government has voted for a large fiscal package accounting for about 10% of GDP. It includes EUR1.5 billion government guarantees on new bank loans for companies, a state contribution to labour costs for companies that lost more than 20% of their revenue, and temporary tax suspension. In addition, compensation by the state for direct COVID-19-related losses appears to have the approval of EU state aid authorities, so it is probable that the full financial impact for banks that would otherwise have been suffered will ultimately be mitigated.

We expect Dutch banks to have some resilience in the current environment due to overall sound asset quality, capitalisation, funding and liquidity. Nonetheless, the operating environment in the Netherlands will likely deteriorate significantly in 2020 and we have revised our assessment of the sector's operating environment to negative. We expect asset quality to weaken relative to previous expectations and earnings challenges to intensify due to weaker business volumes and rising loan impairment charges.

KEY RATING DRIVERS

ABN AMRO Bank N.V.

Unless noted below, the key rating drivers for ABN AMRO Bank N.V. (ABN AMRO) are those outlined in our Rating Action Commentary published on 25 October 2019 (Fitch Revises ABN AMRO's Outlook to Negative; Affirms at 'A+').

Fitch has affirmed ABN AMRO's Long-Term IDR at 'A+' with a Negative Outlook and its Viability Rating (VR) at 'a' because we believe the economic fallout from the coronavirus crisis represents a medium-term risk to the bank's ratings. However, the bank enters the economic downturn from a relative position of strength, given its leading domestic universal banking franchise, sound asset quality underpinned by its large portfolio of low-risk residential mortgage loans, strong capitalisation and robust funding and liquidity. We believe the economic and financial market fallout from the coronavirus outbreak creates additional risks to our assessment of asset quality and earnings relative to when we last reviewed the bank's ratings. Fitch has also affirmed ABN AMRO's 'F1' Short-Term IDR, 'F1' short-term senior preferred debt rating and 'A+' long-term senior preferred debt rating.

ABN AMRO's long-term senior non-preferred debt rating has been affirmed at 'A+' and is in line with the bank's Long-Term IDR, which is one notch above the VR. This is due to the bank's significant qualifying junior debt buffer (QJD), consisting of Tier 2 and additional Tier 1 (AT1) instruments, of above 10% of risk-weighted assets (RWA), which could be made available to protect senior obligations from default in case of failure, either under a resolution process or as part of a private-sector solution (ie distressed-debt exchange) to avoid a resolution action. The Negative Outlook is also driven by the increased uncertainty over whether the QJD will be maintained at above 10% on a sustained basis.

The rating on ABN AMRO Funding USA LLC's US commercial paper securities has been affirmed at 'F1'. ABN AMRO Funding USA LLC is a US-based funding vehicle fully owned by ABN AMRO. The rating of the US commercial paper securities issued by the vehicle is aligned with ABN AMRO's Short-Term IDR, based on Fitch's view of an extremely high probability of support from ABN AMRO if required. This view is underpinned by ABN AMRO's guarantee of ABN AMRO Funding USA LLC's issuance.

We have affirmed ABN AMRO's subordinated Tier 2 debt rating at one notch below the VR to reflect this class of debt's subordination, but also loss severity mitigation in light of the bank's thick Tier 2 and AT1 debt buffers of more than 10% of its RWAs.

The AT1 debt has been upgraded by one notch to 'BBB-' from 'BB+' and removed from Under Criteria Observation (UCO) to reflect a change in baseline notching to four notches (from the previous five) from the VR, reflecting a reduction in incremental non-performance risk relative to our previous assumptions. Our assessment is based on the bank operating with a common equity Tier 1 (CET1) ratio that is comfortably above maximum distributable amount (MDA) thresholds and our expectation that this will continue.

de Volksbank N.V.

Unless noted below, the key rating drivers for de Volksbank N.V. are those outlined in our Rating Action Commentary published on 25 October 2019 (Fitch Affirms De Volksbank at 'A-'/Stable, Upgrades Short-Term IDR to 'F1').

Fitch has affirmed de Volksbank's Long-Term IDR at 'A-' and VR at 'a-'. The Outlook on the Long-Term IDR has been revised to Negative from Stable because we believe the economic fallout from the coronavirus crisis poses risks to the bank's ratings in the medium term. The bank enters the economic downturn from a relative position of strength due to its business model focused on low-risk residential mortgage lending, its sound asset quality, high risk-weighted capital ratios, and sound liquidity and funding with limited reliance on wholesale funding. We believe the economic and financial market fallout from the coronavirus outbreak creates additional downside risks to our assessment of earnings relative to when we last reviewed the bank's ratings.

de Volksbank's subordinated Tier 2 debt rating has been downgraded by one notch to 'BBB' from 'BBB+' and removed from UCO. This reflects the change in baseline notching for loss-severity to two notches from the VR instead of one previously. The bank does not meet the conditions under our criteria for applying one notch.

Van Lanschot Kempen Wealth Management N.V.

Unless noted below, the key rating drivers for Van Lanschot Kempen Wealth Management N.V. (Van Lanschot) are those outlined in our Rating Action Commentary published in 30 July 2019 (Fitch Affirms Van Lanschot at 'BBB+'; Outlook Stable).

Fitch has affirmed Van Lanschot's Long-Term IDR at 'BBB+' and VR at 'bbb+'. The Outlook on the Long-Term IDR has been revised to Negative from Stable because we believe the economic fallout from the coronavirus crisis poses risks to the bank's ratings in the medium term. However, the bank enters the economic downturn from a relative position of strength, given its low-risk wealth and asset management business, adequate asset quality, sound capitalisation and leverage, healthy funding profile and sound liquidity. We believe the economic and financial market fallout from the coronavirus outbreak creates additional risks to our assessment of asset quality and earnings relative to when we last reviewed the bank's ratings.

Van Lanschot's Tier 2 debt rating has been downgraded by one notch to 'BBB-' from 'BBB' and removed from UCO to reflect the change in baseline notching for loss-severity to two notches (from one previously) from the VR since the bank does not meet the specific conditions under our criteria for applying one notch.

Cooperatieve Rabobank U.A.

Unless noted below, the key rating drivers for Cooperative Rabobank U.A. (Rabobank) are those outlined in our Rating Action Commentary published in 25 October 2019 (Fitch Revises the Outlook on Rabobank to Negative; Affirms at 'AA-').

Fitch has placed Rabobank's 'AA-' Long-Term IDR, 'a+' VR, 'AA-(dcr) ' Derivative Counterparty Rating (DCR) and debt ratings on Rating Watch Negative (RWN) because the economic fallout from the coronavirus crisis represents a near-term risk to Rabobank's ratings, since the bank enters the economic downturn with only moderate rating headroom. The combination of the bank's higher than peers' non-performing loans and the probable reversal of the improving asset quality trend is likely to pressure Rabobank's moderate operating profitability and solid capitalisation, which is a rating strength and currently supports the VR. We believe the economic and financial market fallout from the coronavirus outbreak creates additional risks to our assessment of asset quality, earnings and capitalisation relative to when we last reviewed the bank's ratings.

We have placed Rabobank's subordinated Tier 2 debt on RWN. The Tier 2 debt rating is one notch below the VR to reflect this class of debt's subordination, but also loss severity mitigation in light of the bank's thick Tier 2 and AT1 debt buffers of more than 10% of its RWAs.

The AT1 debt has been upgraded by one notch to 'BBB' from 'BBB-' and removed from UCO to reflect a change in baseline notching to four notches (from the previous five) from the VR, reflecting a reduction in incremental non-performance risk relative to our previous assumptions. Our assessment is based on the bank operating with a CET1 ratio that is comfortably above MDA thresholds and our expectation that this will continue.

ING Groep N.V. and selected subsidiaries

Unless noted below, the key rating drivers for ING Groep N.V. (ING Groep) are those outlined in our Rating Action Commentary published in 25 October 2019 (Fitch Affirms ING Groep at 'A+'; Outlook Stable).

Fitch has placed ING Groep's 'A+' Long-Term IDR, 'a+' VR, 'A+(dcr)' DCR and long-term debt ratings, as well as ING Bank's 'AA-'/'F1+' IDRs, 'a+' VR and 'AA-(dcr)' DCR on RWN because the economic fallout from the coronavirus crisis represents a near-term risk to ING Groep's ratings. The group enters the economic downturn with moderate rating headroom. The group's exposure to cyclical sectors might lead to an uptick in impaired loans that would pressure the sound operating profitability and solid capital ratios. Capitalisation remains a rating strength and supports the group's VR. However, we believe the economic and financial market fallout from the coronavirus outbreak creates additional risks to our assessment of asset quality, earnings and capitalisation relative to when we last reviewed the bank's ratings.

Tier 2 debt issued by ING Groep and ING Bank N.V. have been downgraded by one notch to 'A-' from 'A' and removed from UCO to reflect the change in baseline notching for loss-severity to two notches (from one previously) from the VR since the bank does not meet the specific conditions under our criteria for applying one notch. The ratings were subsequently placed on RWN.

The AT1 debt issued by ING Groep has been upgraded by one notch to 'BBB' from 'BBB-' and removed from UCO to reflect a change in baseline notching to four notches (from the previous five) from the VR, reflecting a reduction in incremental non-performance risk relative to our previous assumptions. Our assessment is based on our expectation that the bank will continue operating with a CET1 ratio that is comfortably above its MDA thresholds. The ratings were subsequently placed on RWN.

Fitch has upgraded ING Belgium NV/SA's (ING Belgium) IDRs to 'AA-'/'F1+' from 'A+'/'F1' because in our opinion, its external senior creditors will benefit from resolution funds raised by the bank's ultimate parent ING Groep and designed to protect its senior creditors in a group failure scenario. This is because ING Belgium is a material foreign subsidiary of ING Bank N.V., the main operating entity of ING Groep, whose Long-Term IDR already benefits from one notch uplift. The group has adopted a single-point-of-entry resolution strategy, with ING Groep as the resolution entity, and the three entities have the same resolution authority. The upgrade of ING Belgium's DCR by one notch to 'AA-'

mirrors the upgrade of its Long-Term IDR. The ratings were subsequently placed on RWN to mirror the rating action on its direct parent ING Bank N.V.

NIBC Bank N.V.

Unless noted below, the key rating drivers for NIBC Bank N.V. (NIBC) are those outlined in our Rating Action Commentary published in 28 December 2019 (Fitch Affirms NIBC at 'BBB'; Outlook Stable).

Fitch has placed NIBC's 'BBB' Long-Term IDR, 'bbb' VR, and debt ratings on RWN because the economic fallout from the coronavirus crisis represents a near-term risk to NIBC's ratings since the bank enters the economic downturn from a less favourable position than some of its peers. NIBC has material exposure to sensitive sectors such as shipping, oil & gas and leveraged finance, although these have been lowered from previous periods. We believe the economic and financial market fallout from the coronavirus outbreak creates additional risks to our assessment of asset quality and earnings relative to when we last reviewed the bank's ratings.

Credit Europe Bank N.V.

Unless noted below, the key rating drivers for Credit Europe Bank N.V. (CEB) are those outlined in our Rating Action Commentary published in 07 October 2019 (Fitch Affirms Credit Europe Bank at 'BB-'; Outlook Stable).

Fitch has downgraded CEB's Long-Term IDR to 'B+' from 'BB-' and its VR to 'b+' from 'bb-'. The Outlook on the Long-Term IDR is Negative because we believe the economic fallout from the coronavirus crisis represents a medium-term risk to the bank's ratings. CEB enters the economic downturn from a position of relative weakness compared with some of its peers given its material exposure to the leisure and tourism and shipping sectors, low operating profitability and small capital buffers in absolute terms. We believe the economic and financial market fallout from the coronavirus outbreak create downside risks to our assessment of the bank's asset quality, earnings and capitalisation, relative to when we last reviewed the bank's ratings.

CEB's subordinated Tier 2 debt has been downgraded by two notches to 'B-' from 'B+' and removed from UCO. The first notch downgrade reflects the downgrade of the CEB's VR, which is the anchor rating for the bank's subordinated Tier 2 debt rating. The second notch downgrade reflects the change in baseline notching for loss-severity to two notches from the VR instead of one previously. The bank does not meet the conditions under our criteria for applying one notch for loss severity.

RATING SENSITIVITIES

Unless noted below, the key rating sensitivities for these banks' ratings are those outlined in our Rating Action Commentaries referenced above.

With the exception of ING Belgium whose IDRs are driven by expectations of support from its parent ING Groep, the most immediate downside rating sensitivity for banks' IDRs, VRs and debt ratings now relates to the economic and financial market fallout arising from the coronavirus outbreak as this represents a clear risk to our assessment of asset quality, earnings and capitalisation. The extent to which government and central bank support packages can mitigate rating pressure on banks' ratings will depend on the amount and form such support takes.

ABN AMRO Bank N.V.

ABN AMRO has headroom to emerge from the current crisis with its IDRs, VR and debt ratings intact due to the relative strength of its company profile, asset quality, capitalisation, earnings and funding profile, which are all in line with or above its VR. However, this outcome will depend on the depth and duration of the coronavirus shock to the Dutch economy.

ABN AMRO's ratings would likely be downgraded if prospects that the health crisis is resolved globally in 2H20 become less likely, which would make a sharp recovery of global growth in 2021 more remote. A delay to this sharp recovery would likely result in a more permanent damage to the bank's asset quality and earnings, which would be difficult to restore within a short period of time.

In the event ABN AMRO withstands ratings pressure arising from the coronavirus outbreak, the most likely trigger for an upgrade would be contingent on an extended record of strong performance against stated targets over time.

Subordinated debt ratings are sensitive to changes in ABN AMRO's VR. Tier 2 debt ratings could also be downgraded by one notch to a baseline notching of two below the VR if we no longer expect the bank to operate with Tier 2 and AT1 buffers above 10% of RWAs. ABN AMRO's AT1 debt rating could be downgraded if non-performance risk increases relative to the risk captured in the bank's VR, for example if its capital buffers over regulatory requirements are eroded.

de Volksbank N.V.

de Volksbank has headroom to emerge with its IDRs, VR, and debt ratings intact due to the relative strength of its risk appetite, asset quality, capitalisation and funding profile, which are all in line with or above its VR. This outcome will depend on the actual depth and duration of the coronavirus shock to the Dutch economy.

de Volksbank's ratings could be downgraded if a global resolution to the current health crisis in 2H20 and ensuing sharp recovery in 2021 became less likely. A delay to this sharp recovery would likely result in a more permanent damage of the bank's earnings, which would be difficult to restore within a short period of time.

In the event de Volksbank withstands ratings pressure arising from the coronavirus outbreak, an upgrade is unlikely given the constraints on the ratings from the bank's franchise and business model.

The long-term senior preferred debt rating could be upgraded by one notch if we obtain more clarity and certainty that the group will not need to rely on preferred senior debt to comply with its total MREL requirement over the medium-term or if de Volksbank's subordinated and senior non-preferred debt buffer is expected to increase above 10% of RWAs.

The subordinated Tier 2 debt rating is sensitive to changes in the bank's VR.

Van Lanschot Kempen Wealth Management N.V.

Van Lanschot has headroom to emerge with its IDRs, VR, and debt ratings intact due to the relative strength of its company profile, risk appetite, capitalisation, and funding profile, which are all in line with or above its VR. However, this outcome will depend on the ultimate depth and duration of the coronavirus shock to the Dutch economy. Van Lanschot's ratings would likely be downgraded if prospects that the health crisis is resolved globally in 2H20 become less likely, which would make a sharp recovery in global growth in 2021 more remote. A delay to this sharp recovery would likely result in a more permanent damage of the bank's asset quality and earnings, which would be difficult to restore within a short period of time.

In the event Van Lanschot withstands ratings pressure arising from the coronavirus outbreak, the most likely trigger for an upgrade would arise from successful implementation of the private banking and asset management strategy. We would expect in particular a sustainable strengthening of the bank's profitability from a track record of steady and sizeable assets under management inflows. A rating upgrade would also hinge on significant progress in reducing the bank's stock of non-performing corporate loans.

The long-term senior preferred debt ratings could be upgraded if Van Lanschot expects to meet its resolution buffer requirements solely with SNP and more junior instruments.

The subordinated Tier 2 debt rating is sensitive to changes in the bank's VR.

Cooperatieve Rabobank U.A.

The RWN on Rabobank's ratings reflects the near-term risks arising from the coronavirus outbreak and the heightened probability that we may downgrade the ratings. We expect to resolve the RWN in the near term, when the impact of the outbreak on the bank's credit profile becomes more apparent. Potential downgrade triggers are i) an expected significant increase in impaired loans inflows; ii) an expected sustained reduction of its operating profitability or iii) an expected material deterioration of its capitalisation.

In the event Rabobank withstands ratings pressure arising from the coronavirus outbreak, an upgrade would be unlikely as it and would require a significant and structural improvement in profitability and asset quality.

Subordinated debt ratings are sensitive to changes in Rabobank's VR. Tier 2 debt ratings could also be downgraded by one notch to a baseline notching of two below the VR if we no longer expect the bank to operate with Tier 2 and AT1 buffers above 10% of RWAs. AT1 ratings could also be downgraded if in our assessment their relative non-performance risk increases, in particular if the distance between Rabobank's CET1 ratio and MDA threshold falls to around 100bp.

ING Groep N.V. and selected subsidiaries

The RWN on ING Groep and ING Bank's ratings reflects the near-term risks arising from the coronavirus outbreak and the heightened probability we may downgrade the group. We expect to resolve the RWN in the near term, when the impact of the outbreak on the group's credit profile becomes more apparent.

Potential downgrade triggers are i) significant increase in impaired loans ratio coupled with ii) a sustained reduction of its operating profitability or iii) a material deterioration in its capital ratios.

In the event ING Groep and ING Bank withstand ratings pressure arising from the coronavirus outbreak, the most likely trigger for an upgrade would be contingent to a significant improvement in its impaired loans ratio and operating profitability and a significant strengthening of its capitalisation.

ING Belgium's ratings are primarily sensitive to changes in ING Bank's Long-Term IDR and to a change in the group's single-point-of-entry resolution strategy.

Subordinated Tier 2 debt and AT1 securities issued by ING Groep and ING Bank N.V. are sensitive to a change in the respective anchor VR. AT1 securities issued by ING Groep are also sensitive to Fitch changing its assessment of the probability of their non-performance risk relative to the risk captured in ING Groep's VR.

NIBC Bank N.V.

The RWN on NIBC's ratings reflects the near-term risks arising from the coronavirus outbreak and the heightened probability we may downgrade the bank. The bank's still material exposure to cyclical sectors could put pressure on its asset quality and earnings, leaving it with moderate rating headroom at the current rating level in the current environment. We expect to resolve the RWN in the near term, when the impact of the outbreak on the bank's credit profile becomes more apparent. Potential downgrade triggers are i) a significant increase in impaired loans; ii) a severe reduction of its operating profitability or iii) a sharp drop in its capital base. In resolving the RWN, Fitch will seek to understand the extent to which compensation by the Dutch government for direct coronavirus-related losses will cushion the financial impact on the bank's asset quality and earnings. The ratings also remain sensitive to a sharp deterioration in the bank's funding and liquidity profile.

In the event NIBC withstands ratings pressure arising from the coronavirus outbreak, an upgrade would require a significant broadening of the bank's franchise, tighter risk appetite and reduced exposure to cyclical sectors.

Credit Europe Bank N.V.

CEB has rating headroom to emerge with its IDRs and VR intact due to the relative strength of its VR assessment factors, which are all, but one, in line with or above its VR. However, this outcome will depend on the ultimate depth and duration of the coronavirus shock. CEB's ratings could be downgraded if a global resolution to the current health crisis in 2H20 and ensuing recovery in 2021 became less likely. A delay to this recovery would likely result in more permanent damage to the bank's asset quality, earnings, and capital, all of which would be difficult to restore within a short period of time.

In the event CEB withstands ratings pressure arising from the coronavirus outbreak, an upgrade would require a significant strengthening of its asset quality, operating profitability and higher capital buffers.

The subordinated Tier 2 debt rating is sensitive to changes in the bank's VR.

BEST/WORST CASE RATING SCENARIO

Ratings of Financial Institutions issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings https://www.fitchratings.com/site/re/10111579.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

The ratings of ING Belgium NV/SA are directly linked to ING Bank N.V.; a change in Fitch's assessment of the ratings of ING Bank N.V. may result in a change in the ratings of ING Belgium NV/SA.

ABN AMRO Funding USA LLC's debt rating is aligned with ABN AMRO's short-term debt rating and is therefore sensitive to changes to ABN AMRO's Short-

Term IDR.

ESG CONSIDERATIONS

ESG issues are credit neutral or have only a minimal credit impact on the entity(ies), either due to their nature or the way in which they are being managed by the entity(ies). For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

VIEW ADDITIONAL RATING DETAILS

Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

Bank Rating Criteria (pub. 28 Feb 2020) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

ABN AMRO Bank N.V.	EU Issued
ABN AMRO Funding USA LLC	EU Issued
Cooperatieve Rabobank U.A.	EU Issued
Credit Europe Bank N.V.	EU Issued
de Volksbank N.V.	EU Issued
ING Bank N.V.	EU Issued
ING Belgium NV/SA	EU Issued
ING Groep N.V.	EU Issued
NIBC Bank N.V.	EU Issued
Van Lanschot Kempen Wealth Management N.V.	EU Issued

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Structured Finance: Covered Bonds   Structured Finance: ABS

Structured Finance: CMBS   Insurance   Structured Finance: Structured Credit

Non-Bank Financial Institutions Structured Finance Banks

Structured Finance: RMBS North America Europe United States Belgium

Netherlands