

**Rating Action: NIBC Bank N.V.**

**Moody's downgrades NIBC Bank Long term ratings to Baa2, outlook negative**

**The outlook on the BFSR of C- is changed to negative from stable**

Paris, December 17, 2008 -- Moody's Investors Service has today changed the outlook on NIBC Bank's Bank (NIBC) Financial Strength rating of C- to negative from stable and the Baseline Credit Assessment to Baa2 from Baa1. The long-term debt and deposit ratings were downgraded to Baa2 from Baa1 -- NIBC receiving no support under the JDA methodology -- and assigned a negative outlook. The short-term ratings are affirmed at Prime 2.

The rating action reflects Moody's expectations of significant decrease of the bank's profitability resulting from more costly funding, a weakened franchise, a potential deterioration of the bank's asset quality in light of the weakening economic environment and a continuous challenging liquidity situation for the bank.

NIBC Bank is highly reliant on wholesale funding. Despite the bank's efforts aimed at diversifying market sources notably by setting up a covered bond programme and attracting retail deposits, both only represent a marginal part of the bank's total funding so far. At present the bulk of NIBC's liquidity is still provided by unsecured bonds and to a significant extent by ECB refinancing. NIBC Bank has successfully issued EUR 1.25 billion with a three-year maturity of state-guaranteed debt on December 11th, 2008 in order to lengthen its funding profile and reduce its dependence on ECB refinancing and is planning to issue additional guaranteed debt over the course of next year. Although Moody's indeed views positively the lengthening of the bank's funding profile, it also points out the high costs of this debt as well as the temporary timeframe of state guaranteed issues which can only be relied upon by year-end 2009. By then NIBC Bank will have to find alternative funding sources.

In addition, Moody's is concerned that the current challenging economic and financial conditions have negatively impacted the bank's present franchise. NIBC Bank is both a mortgage lender and a merchant bank which serves mid-cap clients in the Benelux and Germany in three primary segments: corporate finance, financial markets and real estate markets. These markets have faced a significant slowdown in 2008 and are likely to continue to be affected by the unfolding recession in months to come. In light of these difficulties, NIBC Bank has changed its strategy and is planning to expand its corporate lending at the expense of the less profitable residential mortgage portfolio. Although Moody's acknowledges that the new strategy could eventually help the bank to find a new sustainable niche positioning, it cautions about the risks involved with this strategy in a challenging economic environment and in a highly competitive market. In Moody's opinion, the bank's asset quality is likely to deteriorate from its current satisfactory level and may also weigh on the bank's profitability.

NIBC Bank long-term debt and deposit ratings of Baa2 do not incorporate any systemic support expectations and are therefore at the same level NIBC's BCA. Although Moody's acknowledges that NIBC is eligible to the Dutch Guarantee Scheme and could benefit from capital injection from the Dutch authorities if needed, this support is temporary and therefore does not provide any uplift to the NIBC bank long term deposit rating.

Moody's will closely monitor the implementation of NIBC's new strategy and its impact on the creditworthiness of the bank. A successful and sustainable repositioning may lead to a change of outlook back to stable. Moody's however cautions the challenge of expanding its corporate portfolio in a particularly challenging environment while maintaining a satisfactory level of asset quality and profitability.

The latest rating action was made on January 30, 2008 when Moody's confirmed the Baa1 long term ratings, the Baa2 Subordinated debt ratings and the Baa3 preferred stock ratings of NIBC Bank N.V. ("NIBC") and affirmed at the same time the P-2 short-term ratings and the C- BFSR, with stable outlooks.

The principal methodology used in rating NIBC Bank were "Bank Financial Strength Ratings: Global Methodology" and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology", which can be found at [www.moody.com](http://www.moody.com) in the Credit Policy and Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy and Methodologies directory.

Headquartered in The Hague, NIBC Bank has total assets of €31,793 billion and reported shareholders' equity (including minority interest) of € 1,511 billion as of December 31st, 2007.

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