

BNG Bank N.V.

Key Rating Drivers

Ratings Equalised with Sovereign: BNG Bank N.V.’s Issuer Default Ratings (IDRs) and Government Support Rating (GSR) are driven by sovereign support from the Netherlands (AAA/Stable). The Long-Term IDR is equalised with that of the Netherlands. This reflects Fitch Ratings’ view of an extremely high probability of support from the Dutch state in the event of stress. The Dutch state’s strong propensity to support the bank is mainly underpinned by its policy role and 50% state ownership.

Clear Policy Role: BNG Bank is the larger of the Netherlands’ two policy banks. It has a clear, strategic and long-established role as a provider of banking services and financing to public authorities. Fitch believes that BNG Bank will continue to have a significant role in supporting state policy objectives, and that it would be difficult to transfer this role to commercial banks, given the low yield and long maturity of the assets originated by the bank.

Low Resolution Risk: BNG Bank is within the scope of the Bank Resolution and Recovery Directive (BRRD), and subject to simplified resolution planning obligations. The preferred approach, should BNG Bank fail, is liquidation under national insolvency proceedings, which substantially reduces the risk of a resolution being triggered.

Fitch believes that the Single Resolution Board (SRB) would not be incentivised to take resolution action if it is clear that the Dutch state, BNG Bank’s main shareholder, is prepared to pre-emptively inject capital into the bank. This, together with the absence of a requirement to issue and maintain bail-in-able debt buffers, further supports our assessment.

Pre-Emptive Support Highly Likely: Fitch believes that the state would act pre-emptively to replenish BNG Bank’s capital levels, due to the dependence of the bank’s business model on access to wholesale funding and investor confidence. We believe it is highly likely that support from the sovereign would be provided in accordance with the private investor test as part of state aid considerations.

No Viability Rating Assigned: Fitch does not assign a Viability Rating to BNG Bank as its policy role determines most of its operations. The bank’s articles of association frame its strategy, and its franchise primarily relies on public-sector ownership.

Social Role Relevant to the Rating: The bank fulfils a critical role in financing housing associations at low cost, and thus contributes to the state’s social policy to improve housing affordability for underserved communities in the Netherlands.

Low-Risk Operations: The low-risk nature of BNG Bank’s assets, its solid risk-weighted capital ratios, the accommodative Dutch regulatory policy towards policy banks, and prudent liquidity management make it highly unlikely that the bank will ever require extraordinary support.

Ratings

Foreign Currency	
Long-Term IDR	AAA
Short-Term IDR	F1+
Derivative Counterparty Rating	AAA(dcr)

Government Support Rating	aaa
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Sovereign Risk (Netherlands)

Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

[Bank Rating Criteria \(March 2024\)](#)

Related Research

[Global Economic Outlook \(December 2024\)](#)

[Western European Banks Outlook 2025 \(December 2024\)](#)

[Fitch Affirms the Netherlands at ‘AAA’; Outlook Stable \(August 2024\)](#)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade of the Dutch sovereign rating would lead to a similar action on BNG Bank’s ratings. The ratings are also sensitive to changes in Fitch’s assumptions about the Netherlands’ propensity to support the bank. A weakening of BNG Bank’s policy role or a reduction of the state’s ownership, which we view as highly unlikely, would result in a downgrade of BNG Bank’s ratings. A deviation from its narrowly defined domestic policy role would also be rating-negative.

Fitch could notch BNG Bank’s ratings down from the sovereign rating on an increased likelihood that senior creditors would suffer losses under state-aid rules. Fitch could also take negative rating action on changes to the resolution approach, particularly if they imply that BNG Bank could be resolved with the use of the bail-in tool.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

BNG Bank’s ratings and GSR are at the highest possible level on Fitch’s scale, and cannot be upgraded.

Other Debt and Issuer Ratings

Rating Level	Rating
Senior unsecured	AAA/F1+

Source: Fitch Ratings

BNG Bank’s long- and short-term senior unsecured debt ratings and its Derivative Counterparty Rating are in line with its IDRs. This reflects Fitch’s view that default risk on senior unsecured debt equates to the default risk of the bank, as captured in its IDR, and the expectation of average expected recoveries upon default. Under Dutch legislation, derivative counterparties have no preferential status over other senior obligations in a resolution.

Company Summary and Key Qualitative Factors

Business Profile

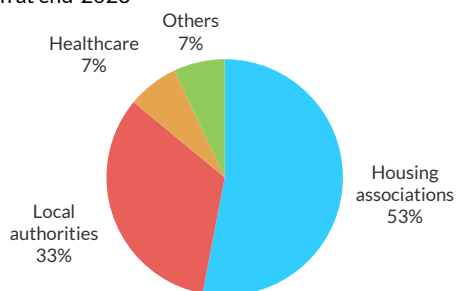
BNG Bank has a clear mandate to provide funding at the lowest possible cost to the Dutch public sector and related entities. The bank's customer base consists almost entirely of Dutch local authorities, public sector utilities and entities involved in social housing, healthcare and education. The bank aims at increasing social impact and has defined five sustainable development goals in its strategic plan.

The narrow lending margins, which require very low cost of funding, make the business economically unattractive for a commercial bank, which is BNG Bank's key competitive advantage. Moreover, the bank has strong relationships with municipalities, which jointly own the bank with the state and other public sector entities. BNG Bank seeks to maintain a substantial market share in the Dutch public- and semi-public sector's long-term zero risk-weighted financing, and at least 90% of its loans need to qualify as promotional. A promotional loan is granted to promote the public policy objectives of central or regional governments in a EU member state.

BNG Bank is owned by the Dutch state (50%) and by municipal and regional authorities (50%, by a combination of Dutch provinces and municipalities and a regional public water authority). The bank's articles of association forbid non-public or commercial ownership, and we expect the Dutch government and public entities to maintain their shareholding. Although no explicit guarantee exists between the Dutch state and BNG Bank, the government has a substantial involvement in the bank and provides a backstop guarantee to a high proportion of the bank's loans.

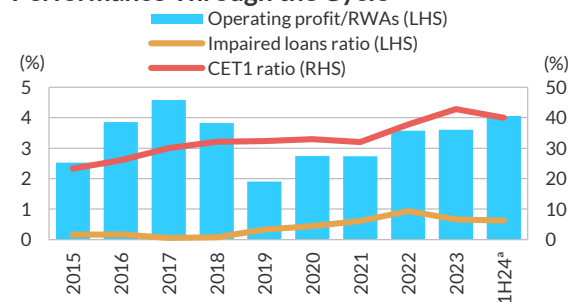
Long-Term Lending by Sector

EUR91bn at end-2023



Source: Fitch Ratings, BNG Bank

Performance Through the Cycle



^a Annualised

Source: Fitch Ratings, Fitch Solutions, BNG Bank

Risk Profile

BNG Bank's very low appetite for credit risk is the result of its policy role. More than 90% of the loans are zero-risk-weighted, extended either to Dutch public-sector bodies or guaranteed by the Dutch housing guarantee fund Waarborgfonds Sociale Woningbouw, or the Dutch healthcare guarantee fund Waarborgfonds voor de Zorgsector, and, ultimately, the Dutch state.

Non-guaranteed exposures are permitted if they have a social impact and if borrowers are at least 50% publicly owned, and include project financing in property energy transition or renewable energy.

The bank does not have a trading book and has a low exposure to market risk, which is mostly in the form of interest rate and foreign exchange risk. Foreign-currency risk arises from substantial funding in foreign currency (around 40% of total funding in 2023), while lending is exclusively in euros. The risk is fully hedged through swaps.

Financial Profile

Asset Quality

Customer loans account for about 70% of total assets. The low-risk nature of BNG Bank's operations typically results in limited credit losses. BNG Bank's asset quality is strong due to its inherently low-risk exposures and the majority of loans being state-related. Its impaired loans ratio was stable at 0.6% of gross loans at end-June 2024. Loan impairment charges (LICs) are generally small and infrequent. In 1H24, BNG Bank released EUR12 million of LICs – following the EUR8 million release in 2023.

The securities portfolio is low risk and almost exclusively investment-grade. It is mainly invested in highly-rated sovereign bonds, residential mortgage-backed securities and covered bonds.

Earnings and Profitability

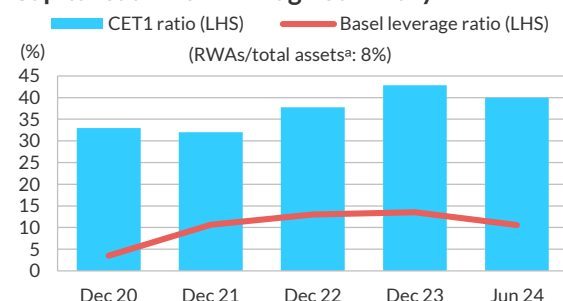
BNG Bank's profitability is more modest than that of Dutch commercial banks due to its policy role. Profit maximisation is not a key strategic objective for the bank as its shareholders require a modest return on equity. The bank's return on equity has been around 6% for the past five years.

Net interest income (NII) is the main driver of BNG Bank's revenue. The bank's net interest margin is structurally narrow at 30bp–50bp, but stable. BNG Bank has an exceptionally low cost of funding due to its high rating and investors' trust in the bank's strong relationship with the state. Fitch believes the bank's business model would be barely viable otherwise.

Capitalisation and Leverage

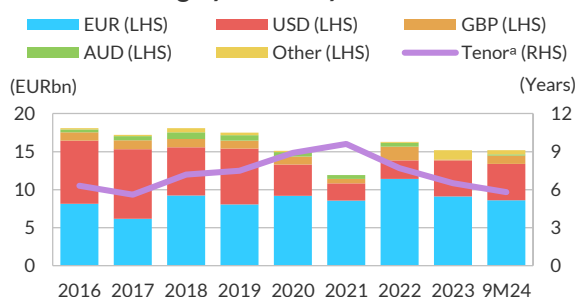
BNG Bank reports solid risk-weighted regulatory capital ratios as it benefits from zero risk-weights on a large proportion of its loan book. BNG Bank's end-June 2024 common equity Tier 1 ratio (40%) was well above its internal and regulatory minimum levels. Fitch expects a limited effect from Basel III end-game rules on BNG Bank's capital ratios because the bank uses the standardised approach. BNG Bank's leverage ratio was sound at 10.6% at end-June 2024.

Capitalisation & Leverage Summary



^a Latest
Source: Fitch Ratings, Fitch Solutions, BNG Bank

Raised Funding by Currency



^a Weighted average
Source: Fitch Ratings, BNG Bank

Funding and Liquidity

BNG Bank does not collect retail deposits, but maintains a stable and diverse investor base. It actively issues debt in various currencies to cover its annual refinancing needs, which range from EUR14 billion to EUR20 billion. BNG Bank has consistently maintained strong access to the debt capital markets through various credit cycles, largely due to its links to the state and consequently high ratings. If needed, the bank could use its entire solvency-free loan portfolio as collateral to obtain funding from the ECB.

Liquidity is sound and managed prudently, in Fitch's view. The robust liquid assets buffer mostly consists of cash and 'AAA' or 'AA' rated liquid securities (end-June 2024: 16% of total assets).

Financials

Financial Statements

	30 Jun 24		31 Dec 23	31 Dec 22	31 Dec 21
	6 months - interim	6 months - interim	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Reviewed - unqualified	Reviewed - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	277	258	563	481	407
Net fees and commissions	18	17	26	19	17
Other operating income	-9	-8	-73	126	105
Total operating income	287	267	516	626	529
Operating costs	74	69	179	167	161
Pre-impairment operating profit	213	198	337	459	368
Loan and other impairment charges	-13	-12	-9	52	20
Operating profit	226	210	346	407	348
Other non-operating items (net)	0	0	0	0	2
Tax	56	52	92	107	114
Net income	170	158	254	300	236
Other comprehensive income	-41	-38	6	-175	-74
Fitch comprehensive income	129	120	260	125	162
Summary balance sheet					
Assets					
Gross loans	100,167	93,222	90,596	89,782	89,975
- of which impaired	625	582	599	848	549
Loan loss allowances	96	89	99	158	237
Net loans	100,071	93,133	90,497	89,624	89,738
Interbank	785	731	622	346	163
Derivatives	-4,296	-3,998	-2,026	-4,942	19,240
Other securities and earning assets	21,948	20,426	19,955	15,959	17,615
Total earning assets	118,509	110,292	109,048	100,987	126,756
Cash and due from banks	12,389	11,530	1,617	6,821	9,264
Other assets	4,015	3,737	4,875	4,266	13,037
Total assets	134,913	125,559	115,540	112,074	149,057
Liabilities					
Customer deposits	7,710	7,175	5,997	4,785	4,525
Interbank and other short-term funding	14,648	13,632	6,578	8,914	23,984
Other long-term funding	100,784	93,796	91,605	87,268	97,916
Trading liabilities and derivatives	5,466	5,087	6,363	6,129	17,245
Total funding and derivatives	128,607	119,690	110,543	107,096	143,670
Other liabilities	1,246	1,160	276	363	325
Preference shares and hybrid capital	332	309	309	309	733
Total equity	4,728	4,400	4,412	4,306	4,329
Total liabilities and equity	134,913	125,559	115,540	112,074	149,057
Exchange rate		USD1 = EUR0.930665	USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173

Source: Fitch Ratings, Fitch Solutions, BNG Bank

Key Ratios

	30 Jun 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	4.1	3.6	3.6	2.7
Net interest income/average earning assets	0.5	0.5	0.4	0.3
Non-interest expense/gross revenue	25.8	35.0	27.2	30.7
Net income/average equity	7.2	5.9	7.0	5.4
Asset quality				
Impaired loans ratio	0.6	0.7	0.9	0.6
Growth in gross loans	2.9	0.9	-0.2	0.9
Loan loss allowances/impaired loans	15.3	16.5	18.6	43.2
Loan impairment charges/average gross loans	0.0	0.0	0.1	0.0
Capitalisation				
Common equity Tier 1 ratio	40.0	42.8	37.8	32.0
Tangible common equity/tangible assets	3.5	3.8	3.8	2.9
Basel leverage ratio	10.6	13.5	13.0	10.6
Net impaired loans/common equity Tier 1 capital	n.a.	12.2	17.4	7.7
Funding and liquidity				
Gross loans/customer deposits	1,299.3	1,510.7	1,876.3	1,988.4
Liquidity coverage ratio	155.0	167.0	183.0	173.6
Customer deposits/total non-equity funding	6.2	5.7	4.7	3.6
Net stable funding ratio	141.2	119.2	125.2	126.0

Source: Fitch Ratings, Fitch Solutions, BNG Bank

Support Assessment

Policy Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a+ to a-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	AAA
Government ability to support D-SIBs	
Sovereign Rating	AAA/ Stable
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Negative
Government propensity to support bank	
Systemic importance	
Liability structure	
Ownership	
Policy role and status	
Ownership	Equalised
Policy role	Equalised
Guarantees and legal status	No Impact

The colours indicate the weighting of each KRD in the assessment.

Higher influence Moderate influence Lower influence

Extremely High Probability of Support from the Dutch State

In Fitch's view, legislative, regulatory and policy initiatives, including the implementation of the BRRD, have substantially reduced the likelihood of sovereign support for EU commercial banks in general. However, Fitch continues to factor Dutch state support into BNG Bank's ratings given the nature of BNG Bank's business, status and public ownership. Fitch believes the Dutch state will act pre-emptively to maintain the bank's viability, subject to any recapitalisation following EU state-aid rules.

Under the EU state-aid rules, public support does not qualify as state aid if the investments by the state in a company do not confer an advantage to the company. This would be the case when the state acts in the same way as a private investor. This principle is commonly referred to as the 'market economy operator test'.

The BRRD and the SRB do not restrict shareholders' ability to carry out a capital injection under market conditions to protect their investments in a strategic, long-term and viable institution. The implementation of the BRRD into Dutch law does not include specific provisions on the treatment of public banks. This could suggest that the Dutch authorities

are confident that the BRRD provides sufficient flexibility for public shareholders to inject funds into public banks to address capital shortfalls.

Simplified Resolution Planning Obligations

As per the SRB's decision, simplified resolution planning obligations apply for BNG Bank. Under these simplified obligations, the preferred course of action for BNG Bank in the event that it is failing, or is likely to fail, and if failure cannot be avoided by a private solution, is insolvency under national law.

We believe that the adoption of a formal plan that does not involve the use of a bail-in tool reduces the likelihood that BNG Bank's senior unsecured creditors will suffer losses. This is because it reduces the risk the state will be prevented from providing support to the bank in a timely manner.

Under the Single Resolution Mechanism Regulation, when considering whether resolution is necessary in the public interest to prevent insolvency, the resolution authorities need to consider whether or not liquidation would present a threat to financial stability, among other factors. The adoption of a simplified obligations plan for BNG Bank, in our view, means that the resolution authorities do not consider the liquidation of BNG Bank to be a threat to financial stability, for example due to its specific business model and Dutch public-sector focus.

As a result, we believe the resolution authorities may not be incentivised to intervene and take resolution action if it is clear that the Dutch state, in its capacity as BNG Bank's shareholder, is willing to inject capital – even if this may take time. Capital injections may come with a lag, for example, because they would need to go through a political approval process in the Netherlands, or be approved for compliance with EU state-aid rules.

Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation

ESG Relevance to Credit Rating

BNG Bank N.V. has 1 ESG rating driver and 5 ESG potential rating drivers

- + BNG Bank N.V. has exposure to services for underbanked and underserved communities: SME and community development programs; financial literacy programs which, in combination with other factors, impacts the rating.
- BNG Bank N.V. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

key driver	0	issues	5	
driver	1	issues	4	
potential driver	5	issues	3	
not a rating driver	3	issues	2	
	5	issues	1	

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1 n.a.	n.a.		5
Energy Management	1 n.a.	n.a.		4
Water & Wastewater Management	1 n.a.	n.a.		3
Waste & Hazardous Materials Management; Ecological Impacts	1 n.a.	n.a.		2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact. Scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	4	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1 n.a.	n.a.		2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

BNG Bank N.V. has an ESG Relevance Score of '4[+]' for Human Rights, Community Relations, Access & Affordability due to its policy role, which through the financing of housing associations provides accessibility and affordability to the Dutch housing market. This has a positive impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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