FitchRatings

Banks
Wholesale Commercial Banks
Netherlands

NIBC Bank N.V.

Update

Ratings

Foreign Currency	
Long-Term IDR	BBB+
Short-Term IDR	F2
Viability Rating	bbb+
Government Support Rating	ns
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

Key Rating Drivers

Niche Business, Adequate Risk Profile: NIBC Bank N.V.'s ratings reflect its niche franchise and business model and its stronger risk profile. Risk concentrations in cyclical sectors, while still significant, have been materially reduced. The ratings also reflect the bank's satisfactory profitability, adequate capital buffers, and stable funding, although this remains more confidence- and price-sensitive than those of peers.

Retail Activities Dominate: NIBC is a niche bank compared with larger and more diversified peers. This is despite its steady expansion in residential mortgage lending, which accounted for more than two-thirds of total loans at end-June 2024, and its retail business contributes the largest share of its operating income.

The sale of its shipping portfolio in June 2024 and the group's leasing businesses in 4Q24 has narrowed NIBC's corporate offering further. It now focuses on asset-based financing, in specific segments, such as commercial real estate (CRE) and digital infrastructure, in which it has considerable expertise.

Improved Risk Profile: NIBC's exposure to cyclical sectors has significantly decreased in recent years. This makes the bank less vulnerable to economic cycles, while its well-performing residential mortgage lending activities cushion probable performance swings in its remaining cyclical corporate credit exposure, mostly granular CRE loans. We believe NIBC's opportunistic appetite for developing its business is adequately controlled.

Concentration Risks, Satisfactory Asset Quality: NIBC has modest levels of impaired assets but heightened risk concentrations through its CRE and digital infrastructure exposure, together representing about 20% of loans at end-June 2024. These exposures could be more vulnerable to an economic downturn. We expect a moderate weakening in the impaired loans ratio in 2024 and 2025, but believe the shift in the bank's loan portfolio over the past few years will help maintain it below 2% in the near term (end-June 2024: 1.2%).

Adequate Profitability: NIBC's earnings stability has improved following its de-risking process, which, combined with good cost discipline and moderate loan impairment charges, has resulted in adequate profitability in recent years. It has limited revenue diversification due to its focus on profitable niches.

We expect the bank will maintain operating profit at about 2% of risk-weighted assets (RWAs) by 2025. However, it may temporarily fall below this level in the near term due to higher RWAs from the planned shift of its corporate book to the standardised approach.

Satisfactory Capital Ratios: We expect NIBC's risk-weighted capital ratios to continue to compare well with that of peers in the medium term. The fully loaded common equity Tier 1 (CET1) ratio of 19.7% at end-June 2024 was well above the minimum requirement of about 11%. The ratio will notably decline in the near term, mostly due to RWA inflation from the application of the standardised approach to calculate capital requirements for certain corporate asset classes. However, it will be maintained with an adequate buffer above its 13% tolerance level.

Stable Funding and Liquidity: NIBC's funding and liquidity have remained stable, although weaker than that of domestic peers due to a large share of price-sensitive online retail savings (close to 60% of non-equity funding). However, the bank's loans/deposits ratio was still high at 146% at end-June 2024, and indicates its reliance on senior unsecured and covered bonds. The bank's conservative liquidity management ensures that upcoming maturities are well covered with high-quality liquid assets.

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

Western European Banks Outlook 2025 (December 2024)

Global Economic Outlook (December 2024)

Mortgage Market Index: Netherlands - 2H24 (October 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 could result from a significant increase in risk appetite, which could be reflected in sustained growth in corporate exposures that significantly outpaces growth in retail loans. A downgrade could also result from the combination of the CET1 ratio falling and being maintained close to the bank's medium-term tolerance level of 13%, operating profit/RWAs sustained significantly below 2%, and the impaired loans ratio durably rising to above 2%. A sharp slowdown in revenue growth in retail businesses or unexpectedly large deposit outflows that pressure liquidity would also be rating negative.

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

Fitch believes there is limited positive rating potential. An upgrade would require a considerably stronger business profile, as reflected by operating income growing to a level more in line with larger peers, and significant market share gains resulting in leading positions and increased revenue diversification. An upgrade would also require operating profit/RWAs to be sustained close to 3%, while adopting a conservative risk appetite.

A less price- and confidence-sensitive funding and liquidity profile and materially lower risk concentrations relative to higher-rated banks could also be rating positive.

Other Debt and Issuer Ratings

Rating Level	Rating
Senior preferred debt: long term/short term	A-/F2
Senior non-preferred: long term	BBB+
Additional Tier 1 and legacy hybrid Tier 1 securities: long term	BB

Source: Fitch Ratings

NIBC's long-term senior preferred debt is rated one notch above its Long-Term IDR. This reflects the protection that could accrue to senior preferred debt from the bank's resolution debt buffers. NIBC's senior non-preferred and junior debt buffer was about 16% of RWAs at end-June 2024, and we expect the buffer to remain sustainably above 10%. For the same reasons, we equalise NIBC's long-term senior non-preferred debt with the bank's Long-Term IDR.

NIBC's 'F2' short-term senior preferred debt rating is the lower of two possible short-term ratings mapping to a 'A-' long-term rating, reflecting our 'bbb' assessment of the bank's funding and liquidity score.

NIBC's additional Tier 1 (AT1; XS2847665390) and legacy hybrid Tier 1 securities (XS0249580357) are rated four notches below the bank's VR, reflecting loss severity of these securities (two notches) and incremental non-performance risk (two notches). Our assessment is based on the bank operating with a CET1 ratio comfortably above its maximum distributable amount restriction point, which we expect to continue. At end-June 2024, the buffer was about 640bp.

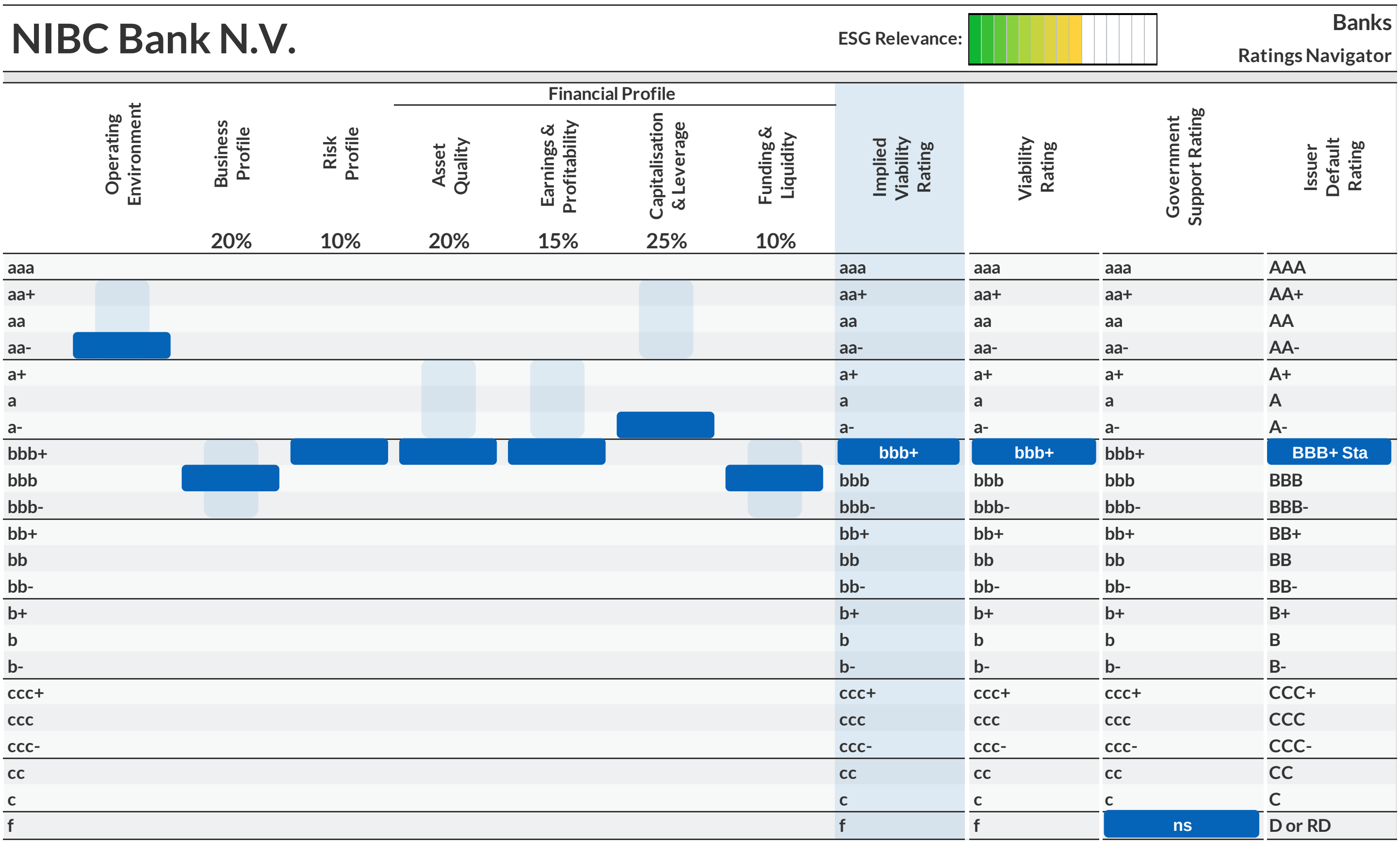
Significant Changes from Last Review

Business Model and Organisational Simplification

NIBC group has further streamlined its business model with the sale of the holding company's heavy equipment lessor, Beequip, to funds managed by Apollo Global Management in November 2024. The business had a loan book of about EUR1.5 billion at end-June 2024, and the sale has reduced total group loans by about 7%. This was followed by the sale of the group's other platform financing business focused on the automotive sector, yesqar (about EUR0.4 billion of loans or 2% of total loans), in December 2024.

These moves follow the sale of the bank's shipping portfolio in June 2024. Together with further progress in reducing its non-core corporate portfolio, it will result in a smaller and de-risked balance sheet dominated by residential mortgages (end-June 2024: about 78% of loans on a pro-forma basis), with CRE and digital infrastructure (both about 11%) accounting for the remainder. Organisational simplification will be achieved through the legal merger of the holding company with the bank as the surviving entity, which is set to take place on 1 January 2025.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The asset quality score of 'bbb+' is below the 'a' implied category score due to the following adjustment reason: concentrations (negative).

The earnings & profitability score of 'bbb+' is below the 'a' implied category score due to the following adjustment reason: revenue diversification (negative).

The capitalisation & leverage score of 'a-' is below the 'aa' implied category score due to the following adjustment reasons: risk profile and business model (negative), historical and future metrics (negative).

Financials

Financial Statements

	30 Jun 24		31 Dec 23	31 Dec 22	31 Dec 21
	6 months	6 months	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	227	211	419	383	361
Net fees and commissions	20	19	41	47	46
Other operating income	15	12	33	12	83
Total operating income	260	242	493	442	490
Operating costs	117	109	220	230	217
Pre-impairment operating profit	143	133	273	212	273
Loan and other impairment charges	0	0	20	28	36
Operating profit	143	133	253	184	237
Other non-operating items (net)	0	0	9	-6	-11
Tax	40	37	67	30	36
Net income	103	96	195	148	190
Other comprehensive income	-14	-13	-81	37	-39
Fitch comprehensive income	89	83	114	185	151
Summary balance sheet					
Assets					
Gross loans	19,859	18,482	19,411	18,484	18,678
- Of which impaired	235	219	212	228	342
Loan loss allowances	167	155	153	197	201
Net loans	19,692	18,327	19,258	18,287	18,477
Interbank	580	540	108	309	205
Derivatives	102	95	156	162	334
Other securities and earning assets	1,691	1,574	1,056	1,271	1,184
Total earning assets	22,066	20,536	20,578	20,029	20,200
Cash and due from banks	2,945	2,741	2,424	2,619	2,392
Other assets	63	59	48	44	66
Total assets	25,075	23,336	23,050	22,692	22,658
Liabilities					
Customer deposits	13,572	12,631	11,859	11,227	11,333
Interbank and other short-term funding	147	137	59	744	702
Other long-term funding	8,917	8,299	8,945	8,362	8,330
Trading liabilities and derivatives	140	130	129	232	154
Total funding and derivatives	22,776	21,197	20,992	20,565	20,519
Other liabilities	118	110	73	82	111
Preference shares and hybrid capital	253	235	200	200	200
Total equity	1,928	1,794	1,785	1,845	1,828
Total liabilities and equity	25,075	23,336	23,050	22,692	22,658
Exchange rate		USD1 = EUR0.930665	USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173

Source: Fitch Ratings, Fitch Solutions, NIBC Bank N.V.

Key Ratios

	30 Jun 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	3.2	2.9	2.0	2.8
Net interest income/average earning assets	2.1	2.1	1.9	1.9
Non-interest expense/gross revenue	44.5	44.9	52.0	44.4
Net income/average equity	10.8	10.7	8.1	10.5
Asset quality				
Impaired loans ratio	1.2	1.1	1.2	1.8
Growth in gross loans	-4.8	5.0	-1.0	10.6
Loan loss allowances/impaired loans	70.8	72.2	86.4	58.8
Loan impairment charges/average gross loans	0.0	0.1	0.2	0.2
Capitalisation				
Common equity Tier 1 ratio	19.7	18.4	17.7	19.0
Tangible common equity/tangible assets	7.7	7.7	8.1	8.1
Basel leverage ratio	7.8	7.7	7.6	8.4
Net impaired loans/common equity Tier 1	3.8	3.6	1.9	8.7
Funding and liquidity				
Gross loans/customer deposits	146.3	163.7	164.6	164.8
Gross loans/customer deposits + covered bonds	n.a.	118.5	121.3	121.7
Liquidity coverage ratio	306.0	240.0	206.0	184.0
Customer deposits/total non-equity funding	59.3	56.3	54.7	55.1
Net stable funding ratio	138.0	133.0	135.0	129.0

Source: Fitch Ratings, Fitch Solutions, NIBC Bank N.V.

Support Assessment

Commercial 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	ns
Government ability to support D-SIBs	
Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
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	Negative
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

The Government Support Rating of 'no support' (ns) reflects Fitch's view that senior creditors cannot rely on receiving full extraordinary support from the sovereign, if NIBC becomes non-viable. This reflects the bank's lack of systemic importance in the Netherlands, as well as the implementation of the EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism. These provide a framework for resolving banks that is likely to require senior creditors to absorb losses, if necessary, instead or ahead of, a bank receiving sovereign support.

Environmental, Social and Governance Considerations

FitchRatings **NIBC Bank N.V.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

NIBC Bank N.V. has 5 ESG potential rating drivers

- NIBC 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.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	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

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	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

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.h 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.

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.

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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