

RATING ACTION COMMENTARY

Fitch Affirms NIBC at 'BBB+'; Outlook Stable

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Fitch Ratings - Frankfurt am Main - 02 Jun 2025: Fitch Ratings has affirmed NIBC Bank N.V.'s Long-Term Issuer Default Rating (IDR) at 'BBB+' with a Stable Outlook and Viability Rating (VR) at 'bbb+'. A full list of rating actions is below.

KEY RATING DRIVERS

Niche Business, Adequate Risk Profile: NIBC's ratings reflect its niche franchise and business model and acceptable risk profile. Risk concentrations in corporate sectors have been materially reduced but remain significant. The ratings also reflect the bank's satisfactory profitability, adequate capital buffers and stable funding, although this remains more confidence- and price-sensitive than at peers.

Retail Activities Dominate: NIBC remains a niche bank compared with larger and more diversified peers. This is despite its steady expansion in residential mortgage lending, which accounted for close to three-quarters of total loans at end-2024, and its retail business contributes the largest share of its operating income. Non-mortgage lending mostly relates to commercial real estate (CRE) and digital infrastructure, in which it has considerable expertise.

Moderate Risk Profile: NIBC's predominant exposure to well-performing residential mortgage lending activities cushion likely 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. Market and operational risks appear well-contained.

Satisfactory Asset Quality; Concentration Risks: NIBC's share of impaired assets is modest but it has heightened risk concentrations through its CRE and digital infrastructure exposure, together representing slightly more than 20% of loans at end-2024. These

exposures could be more vulnerable to an economic downturn. We expect a moderate weakening in the impaired loans ratio in the near term, but believe the shift in the bank's loan portfolio over the past few years will help maintain it below 2% in 2025 (end-2024: 1.1%).

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 sectors. We expect the bank will generate operating profit of about 2% of risk-weighted assets (RWAs) over 2025 and 2026.

Satisfactory Capital Ratios: We expect NIBC's risk-weighted capital ratios to continue to compare well with peers in the medium term. RWA inflation from the shift to the use of the standardised approach for certain asset classes will result in a near-term decline in the fully loaded common equity Tier 1 (CET1) ratio (end-2024: 22.4%). However, it will likely be maintained with an adequate buffer above management's 13% tolerance level.

Stable Funding and Liquidity: NIBC's funding and liquidity have been stable. However, the bank's loans/deposits ratio of above 140% is high, and indicates its reliance on price-sensitive online retail savings (about 61% of non-equity funding) and wholesale funding through the issuance of senior unsecured and covered bonds. The bank's conservative liquidity management ensures that upcoming maturities are well covered with high-quality liquid assets.

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, or from weaker capitalisation, as reflected in the CET1 ratio falling and being maintained below the bank's medium-term tolerance level of 13%.

A downgrade could also result from the combination of operating profit/RWAs sustained significantly below 2%, the impaired loans ratio durably rising to above 2% and the CET1 ratio durably falling below 15%. 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 rating upside is limited. An upgrade would require a considerably stronger business profile, reflected in growth in operating income 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: KEY RATING DRIVERS

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 senior non-preferred and junior debt buffer, which was close to 23% of RWAs at end-2024, and we expect it 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.

The Tier 2 subordinated notes (XS2959410577) are rated two notches below NIBC's VR. The notes are notched down twice for loss severity as we expect poor recovery prospects in the event of failure. We do not apply additional notching for non-performance risk, as the notes do not have any going-concern loss-absorption, such as coupon omission or deferral features.

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 and our view of the poor recovery prospects of these securities (two notches) and incremental non-performance risk (two notches). Our assessment is based on the bank operating with a CET1 ratio (end-2024: 22.4%) comfortably above its maximum distributable amount restriction point, which we expect to continue.

NIBC's Government Support Rating (GSR) of 'no support' is driven by Fitch's view that sovereign support for the bank, while possible, cannot be relied on, primarily given the Bank Resolution and Recovery Directive in place in the Netherlands.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

The ratings of senior preferred and senior non-preferred debt are sensitive to changes in NIBC's IDRs and to the size of the combined buffer of subordinated and senior non-preferred debt. We would likely downgrade the ratings if the nominal buffer falls below 10% of RWAs or if we view the buffer as not sustainable in the longer term. This could happen through RWA inflation or the inability to refinance maturing subordinated and senior non-preferred debt instruments.

The ratings of the Tier 2 subordinated notes, additional Tier 1 and legacy hybrid Tier 1 securities are sensitive to changes in NIBC's VR as well as Fitch's assessment of the probability of their loss severity and non-performance relative to the risk captured in NIBC's VR.

An upgrade of the GSR would be contingent on a positive change in the Netherlands' propensity to support its banks, as well as NIBC significantly growing its systemic importance. While not impossible, this is highly unlikely in Fitch's view.

VR ADJUSTMENTS

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

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

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

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.

ESG CONSIDERATIONS

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>.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
NIBC Bank N.V.	LT IDR	BBB+	Affirmed	BBB+
	ST IDR	F2	Affirmed	F2
	Viability	bbb+	Affirmed	bbb+
	Government Support	ns	Affirmed	ns
subordinated	LT	BB	Affirmed	BB
Senior preferred	LT	A-	Affirmed	A-
Senior non-preferred	LT	BBB+	Affirmed	BBB+
subordinated	LT	BBB-	Affirmed	BBB-
Senior preferred	ST	F2	Affirmed	F2
PREVIOUS	Page	1	of 1	10 rows ⌵
			NEXT	

[VIEW ADDITIONAL RATING DETAILS](#)

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

[Bank Rating Criteria \(pub. 21 Mar 2025\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

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ENDORSEMENT STATUS

NIBC Bank N.V.

EU Issued, UK Endorsed

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