



# Half Year Results 2017

## NIBC Bank

Paulus de Wilt, CEO  
Reinout van Riel, CRO

Moving Ahead - 23 August 2017

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## Key Points

- NIBC Bank's net profit nearly doubled to EUR 87 mln in the first half of 2017 (HY1 2016: EUR 44 mln)
- Strong results reflect the continuation of growth in our underlying client franchise, with transformational investments over the past three years now starting to pay off
- NIBC is doing more business with more clients; with origination to corporate clients up by 28% and origination of mortgages more than doubled to EUR 1.1 bln
- Strong operating leverage, cost / income ratio well below 50%
- Return on Equity (ROE) improved to 8.9%, compared to 5.4% at the end of 2016
- NIBC proposes an interim dividend pay-out of EUR 30 mln (FY 2016: EUR 25 mln)
- Backed by its shareholder, NIBC has commenced an exploration of strategic alternatives

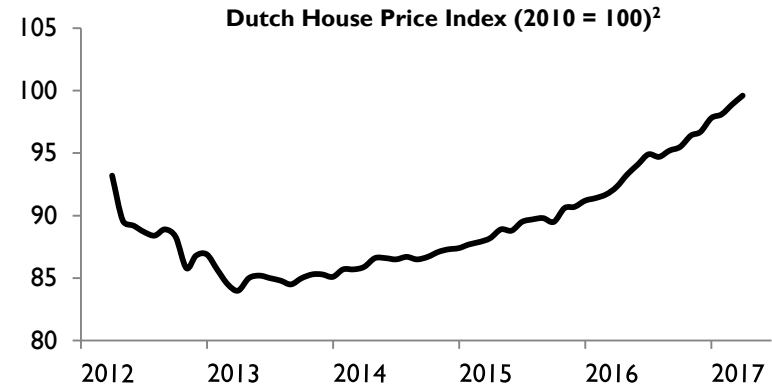
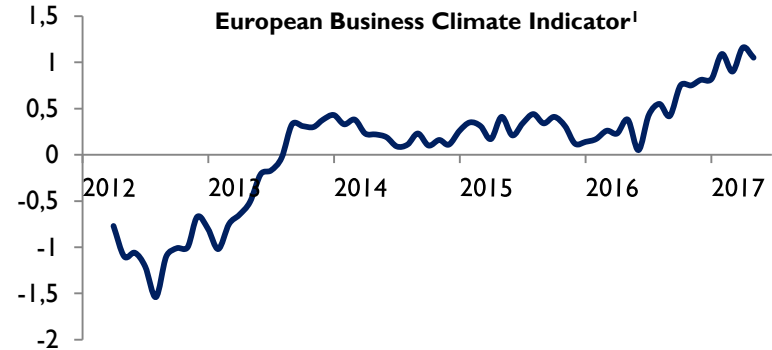


# Strategy and Business Update

Paulus de Wilt  
Chief Executive Officer

## The world around us

- Accelerating economic growth in the Netherlands:
  - GDP growth expectations for 2017 have been revised upwards to 3.3%
  - Business and consumer confidence increased further in H1 2017
  - Unemployment has dropped to 4.8% in July 2017
- Business climate in Europe also improved in H1 2017
- However, some challenges remain:
  - Volatile oil prices
  - Recovery in the various shipping markets is slow and remains fragile; overall outlook is positive
  - Timing and impact of the Brexit remains uncertain
- Ongoing regulatory developments:
  - Resolution regime, MREL, Basel IV, IFRS-9



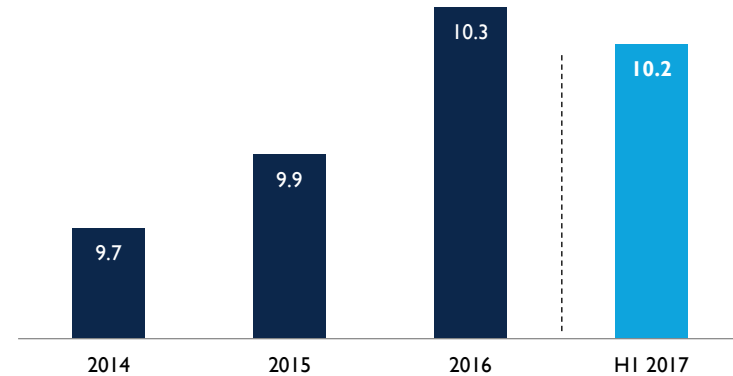
1: Source: European Commission Euro Area Business Climate Indicator

2: Source: Dutch Statistics Office

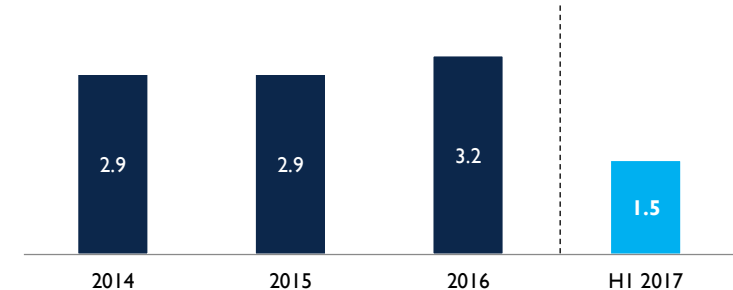
## Corporate Client Offering

- Focus has been on new initiatives to further diversify and strengthen our growth agenda
- NIBC Markets now fully integrated; offering tailored propositions in ECM, DCM, and brokerage services. Looking forward to moving into the new office in Amsterdam Zuid at the end of this month
- Further steps taken in progressing our 'Originate-to-Manage' strategy, whereby we originate and manage mid market Leveraged and Corporate Loans
- Corporate Clients origination grew by 28%, compared to HY1 2016, to EUR 1.5 bln. Exposure decreased by 1% to EUR 10.2 bln, with mainly (p)repayments and some currency revaluation effects offsetting origination
- Net Promoter Score (NPS) of +58% (YE 2016: +37%) emphasises time and efforts towards new and existing clients

Corporate clients exposure (EUR bln)



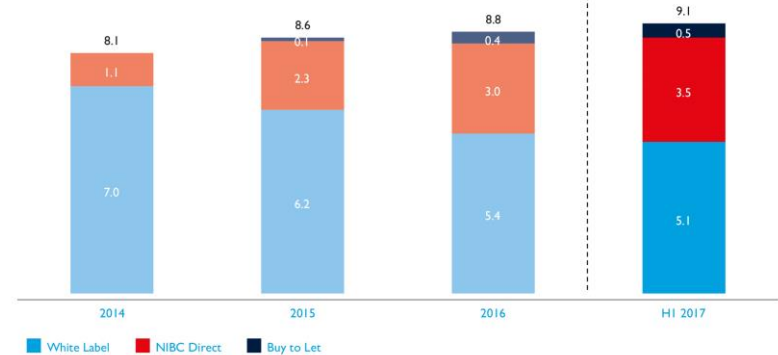
Corporate clients origination (EUR bln)



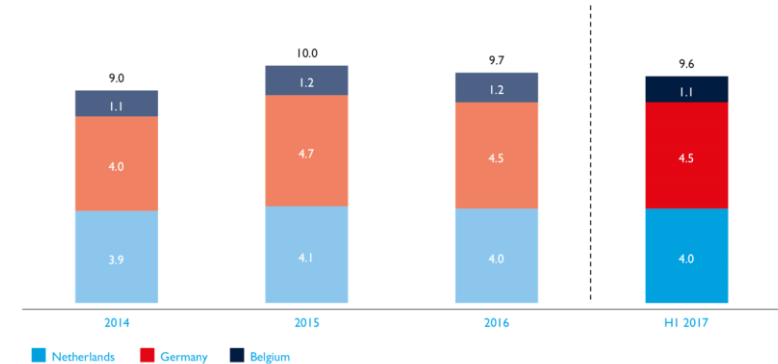
## Retail Client Offering

- Client-focused strategy successfully executed further in the first half of the 2017, including our originate-to-manage offering introducing 30yrs fixed interest rate mortgages to our clients
- Mortgage origination volumes reached EUR 1.1 bln in HY1 2017, (HY1 2016: EUR 0.5 bln) with continued progress in originate-to-manage mandates (EUR 0.3 bln) and Buy-to-Let mortgages showing robust growth (HY1 2017: EUR 0.5 bln vs EUR 0.2 bln last year)
- Further improvement of Dutch housing market and economic recovery aids further improvement of credit quality of the mortgage portfolio
- Total savings volume decreased by 1% to EUR 9.6 bln, as our efforts have led to a controlled net outflow of EUR 150 mln in HY1 2017

Mortgage portfolio management (in EUR billions)



Retail savings development (in EUR billions)





# Financial Results Half Year 2017

Reinout van Riel  
Chief Risk Officer



## Financial Results H1 2017

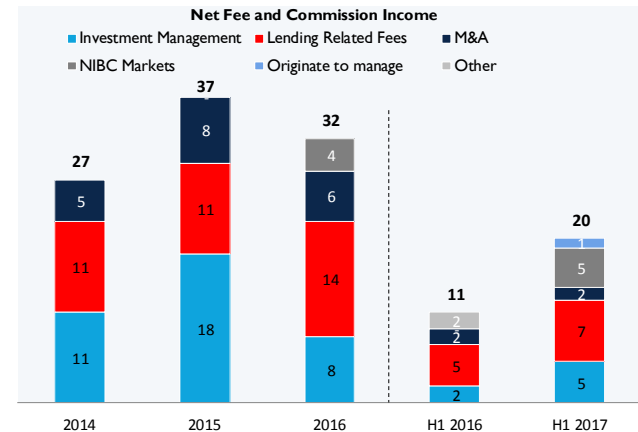
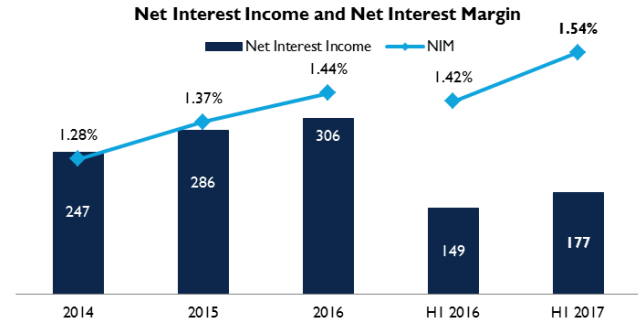
- Net profit nearly doubled to EUR 87 mln
- Operating income up 37% to EUR 226 mln:
  - Net interest income up 19% to EUR 177 mln
  - Strong increase in fee and commission income
- Higher operating expenses fully relate to NIBC Markets
- Impairments down 45% to EUR 12 mln, but economic environment remains fragile and volatile
- Net profit growth pushes Return on Equity (ROE) from 5.4% FY 2016 to 8.9% in H1 2017
- Following strong performance in HY1 2017 and the solid capital position, we propose an interim dividend of EUR 30 million (FY 2016: EUR 25 mln)

## P&L statement

| in EUR millions                                 | H1 2017    | H1 2017 vs |             | FY 2016    |
|---|------------|------------|-------------|------------|
|   |            | H1 2016    | H1 2016     |            |
| Net interest income                             | 177        | 149        | 19%         | 306        |
| Net fee and commission income                   | 20         | 11         | 82%         | 32         |
| Investment Income                               | 27         | 9          |             | 31         |
| Net trading income                              | 2          | -4         |             | 12         |
| Other operating income                          | 0          | 1          |             | 0          |
| <b>Operating income</b>                         | <b>226</b> | <b>165</b> | <b>37%</b>  | <b>381</b> |
| Personnel expenses                              | 54         | 44         | 23%         | 96         |
| Other operating expenses                        | 39         | 37         | 5%          | 77         |
| Depreciation and amortisation                   | 3          | 4          |             | 7          |
| Regulatory charges                              | 9          | 9          |             | 15         |
| <b>Operating Expenses</b>                       | <b>105</b> | <b>93</b>  | <b>13%</b>  | <b>194</b> |
| <b>Net operating income</b>                     | <b>122</b> | <b>72</b>  | <b>69%</b>  | <b>187</b> |
| Impairments of financial assets                 | 12         | 22         | -45%        | 57         |
| Tax   | 22         | 10         |             | 25         |
| <b>Profit after tax</b>                         | <b>87</b>  | <b>40</b>  | <b>117%</b> | <b>104</b> |
| Profit attributable to non-controlling interest | 0          | 0          |             | 0          |
| <b>Net Profit NIBC Bank</b>                     | <b>87</b>  | <b>44</b>  | <b>98%</b>  | <b>102</b> |
| <b>Net profit NIBC Holding</b>                  | <b>107</b> | <b>44</b>  | <b>143%</b> | <b>104</b> |

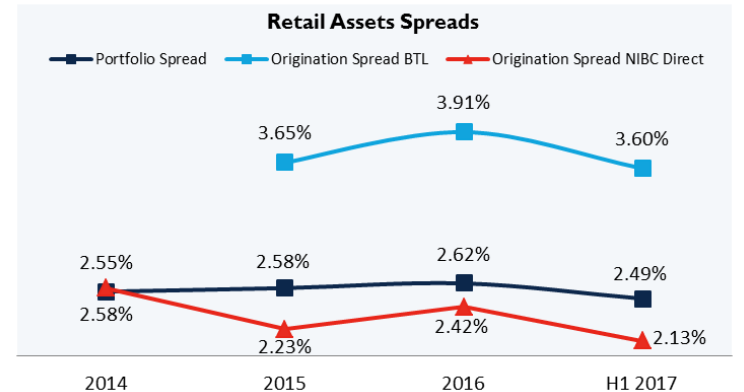
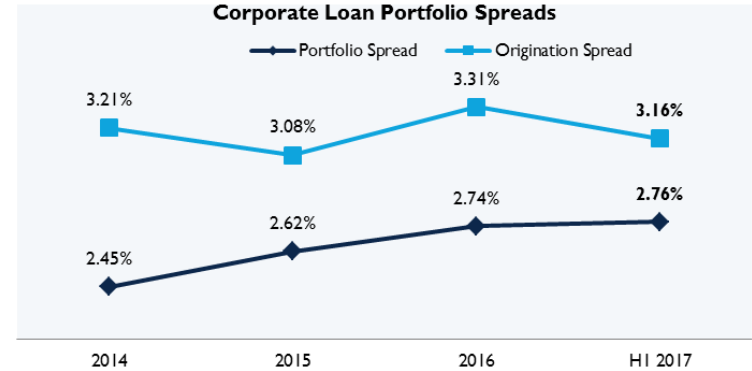
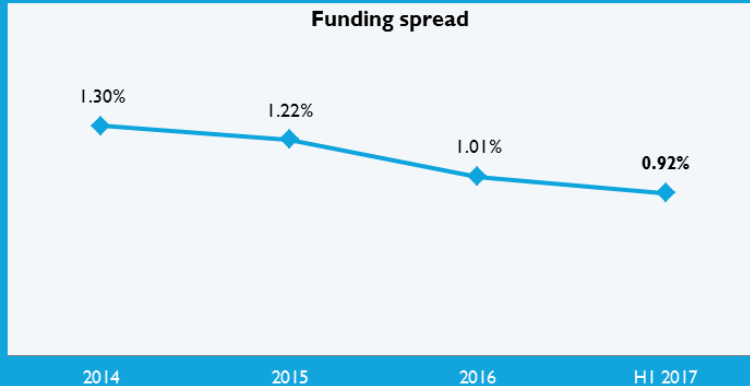
# Operating income

- Increase of operating income (+37%) is mainly driven by the underlying growth of our corporate client and retail client offering, as well as a further decrease in funding costs
- The growth of net interest income was driven by both higher portfolio levels as well as improved margins and fueled the increase of our net interest margin from to 1.54% mid 2017 from 1.42% mid 2016
- Net fee and commission income improved by 82%, driven by higher lending related and investment management fees as well as EUR 5 mln from NIBC Markets



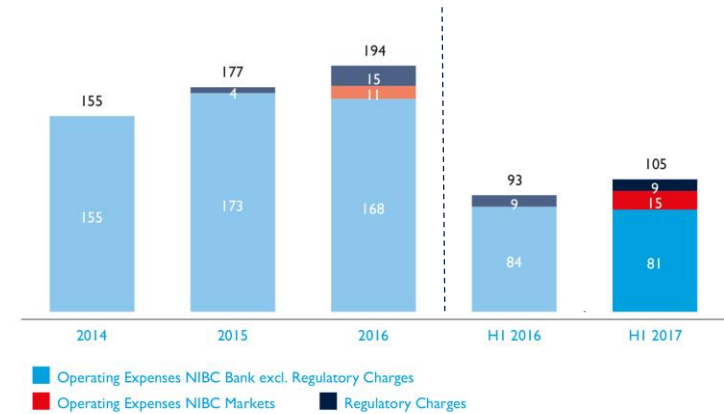
## Improved spreads, driving NIM

- Our average spread on the corporate loan portfolio continued to improve, albeit at a slower pace compared to previous years
- Our average funding spread improved further in 2017

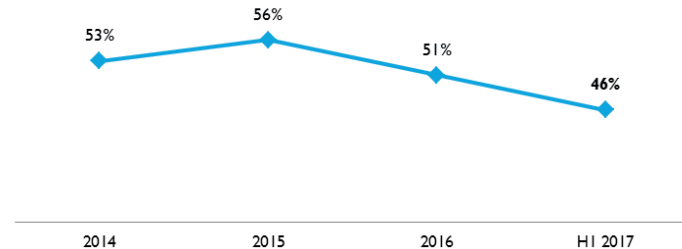


## Operating expenses

- The increase in operating expenses (+13%) is mainly due to:
  - Integration of NIBC markets, including
  - EUR 5mIn reorganisation provision, reflecting the discontinuation of the non-core part of Markets
- Excluding NIBC Markets, operating expenses decreased by 3%
- On the back of higher operating income our cost/income ratio further decreased from 51% in 2016 to 46% mid 2017



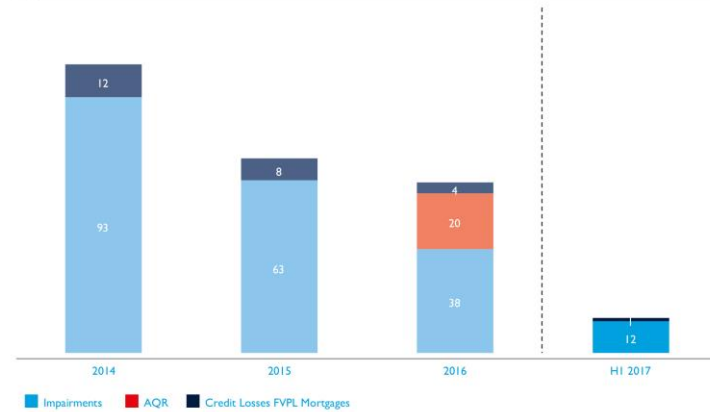
Cost to Income Ratio



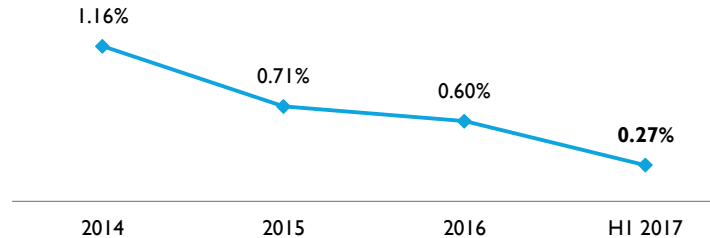
## Impairments and cost-of-risk

- Loan impairments in H1 2017 are limited to EUR 12m, a decrease of 45% compared to H1 2016
- In 2017 the NPL ratio reduced to 2.8% (from 3.8% FY 2016), the cost of risk decreased from 60bps to 27bps and the impairment ratio from 34bps to 14bps

Impairments and credit losses



Cost of Risk



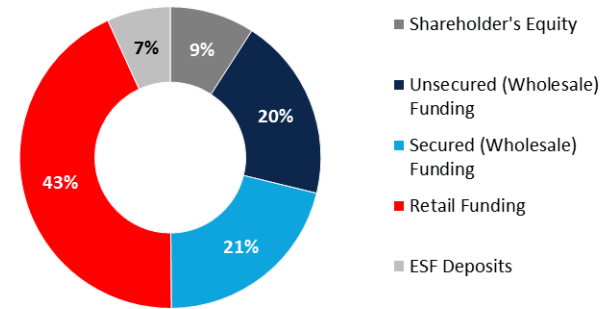
1: In 2016 "Impairments, credit losses and AQR" exclude special items

2: In 2016 "Cost-of-risk" excludes special items

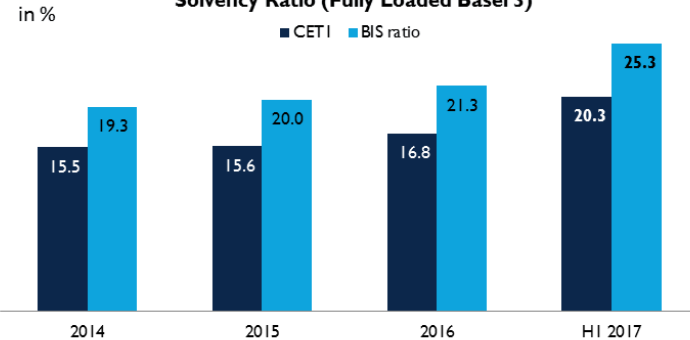
## Funding and Capital

- Well diversified and balanced funding mix, with solid retail savings base of 43% of total funding
- Successful (public) wholesale funding transactions in 2017, including a EUR 500 mln 5yrs senior unsecured transaction
- The sale of a CRE transaction in H1 2017 led to a decrease of EUR 1 bln in RWAs and had a positive impact on our CET1 ratio of 1.7%-points

Funding Composition HY 2017



Solvency Ratio (Fully Loaded Basel 3)



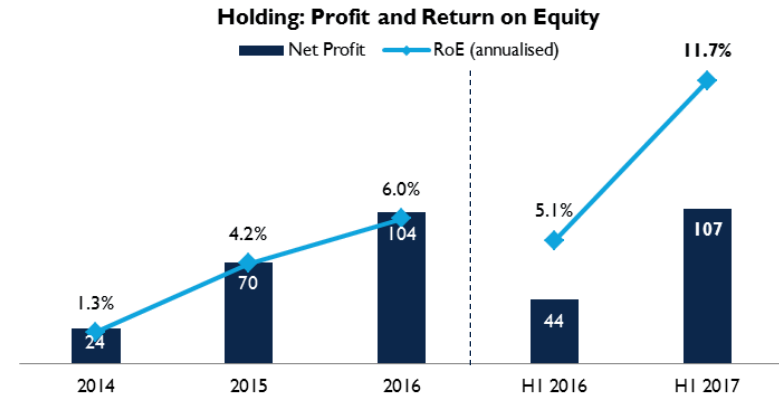
# NIBC Holding

## Key figures NIBC Holding

| in EUR millions                     | HI 2017         | HI 2016         | FY 2016         |
|-------------------------------------|-----------------|-----------------|-----------------|
| Return on equity                    | 11.7%           | 5.1%            | 6.0%            |
| Net interest margin                 | 1.58%           | 1.39%           | 1.47%           |
| Cost / income ratio Bank            | 46%             | 56%             | 51%             |
| Risk weighted assets                | 8,867           | 10,133          | 9,930           |
| Cost of risk                        | 0.72%           | 0.63%           | 0.73%           |
| Loan to deposit ratio               | 143%            | 136%            | 145%            |
| Asset encumbrance ratio             | 27%             | 26%             | 29%             |
| <b>Fully loaded solvency ratios</b> |                 |                 |                 |
| CET I ratio                         | 18.1%           | 14.3%           | 15.1%           |
| BIS ratio                           | 20.7%           | 17.1%           | 18.0%           |
| <b>Liquidity ratios</b>             |                 |                 |                 |
| LCR                                 | 261%            | 230%            | 124%            |
| NSFR                                | 118%            | 116%            | 112%            |
| Number of FTEs                      | 691             | 708             | 716             |
| <b>Rating</b>                       |                 |                 |                 |
| Standard & Poor's                   | BBB- / Positive | BBB- / Stable   | BBB- / Positive |
| Fitch                               | BBB- / Positive | BBB- / Positive | BBB- / Positive |

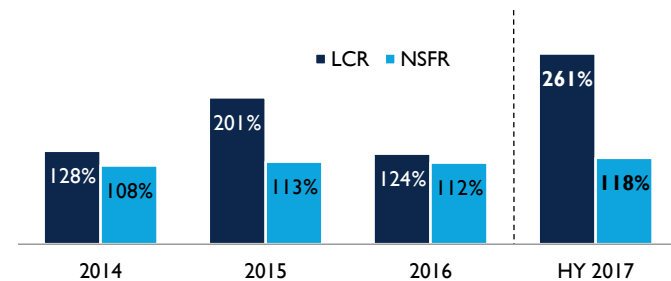
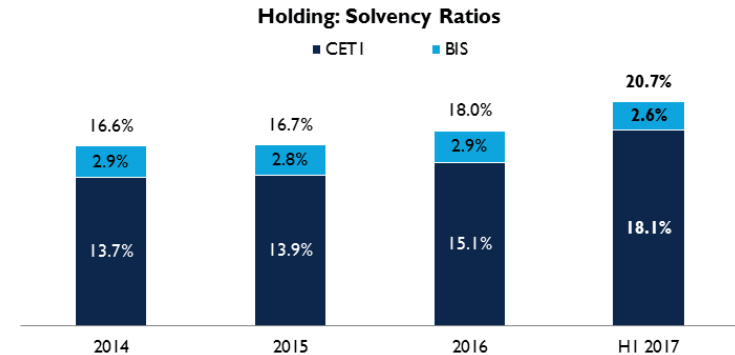
# Financial Results H1 2017

- Net profit in HY1 2017 of NIBC Holding is EUR 19 mln above that of NIBC Bank mainly due to a difference in accounting treatment between bank and holding to be neutralised over time
- Profitability strongly improved in HY1 2017, with both net profit and return on equity displaying substantial growth



## NIBC Holding: capital & liquidity

- Fully-loaded CET-1 ratio of 18.1% and BIS ratio of 20.7%
- Managing Board has proposed an interim dividend pay out of EUR 30m (EUR 0.21/share, FY 2016 EUR 0.17/share), which amounts to a pay out ratio of 28% for H1 2017 (25% FY 2016)
- NIBC has a solid liquidity position evidenced by: LCR of 261%, NSFR of 118% and liquidity buffers of EUR 2.3bn (after haircuts)





## NIBC Holding - Objectives

- The targets for 2015 - 2017 articulated in the Annual Report 2014, were based on the outcome of the annual Strategy Day held in June 2014
- In assessing NIBC's performance against these and other relevant targets: overall we are ahead
- At the Strategy Day held in June 2017, new objectives for the near term were articulated
- Based on applicable accounting standards as from 1 January 2018 (IFRS 9), we have raised our objectives for the near-term performance
- In raising our Return on Equity (ROE) objective - the definitive stamp of our business quality – to a minimum of 10%, we recognize that only by doing extremely well as a bank can we be there to help our clients tomorrow

|                     | Targets 2015-2017 | Near-term objectives |
|---------------------|-------------------|----------------------|
| ROE                 | > 8-10%           | >10%                 |
| Cost / income ratio | 47-54%            | <50%                 |
| CET I               | >12%              | >14%                 |
| Leverage ratio      | >5%               | >4.5%                |
| Rating Bank         | BBB               | BBB+                 |

## Moving Ahead

- Backed by our current shareholder, we have recently commenced a review of our strategic alternatives, which may include a potential Initial Public Offering
- The review is still in a preliminary stage and a final decision will only be made at a later date and be dependent upon market circumstances





## Q&A

Moving Ahead  
23 August 2017