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NIBC Bank N.V.

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NIBC Bank N.V.

SACP	bbb	
Anchor	bbb+	
Business Position	Weak	-2
Capital and Earnings	Strong	+1
Risk Position	Adequate	0
Funding	Average	0
Liquidity	Adequate	

+

Support	+1
ALAC Support	+1
GRE Support	0
Group Support	0
Sovereign Support	0

+

Additional Factors	0

Issuer Credit Rating
BBB+/Negative/A-2

Resolution Counterparty Rating
A-/--/A-2

Major Rating Factors

Strengths:

- Agile business model and strong track record of management's strategic execution capabilities.
- Large capital buffer.
- Highly collateralized loan book.

Weaknesses:

- Niche strategy in corporate banking and retail franchises, combined with the ongoing search for the next growth determinants.
- Exposure to potentially volatile segments such as shipping, commercial real estate, and oil and gas, albeit decreasing.
- Business model more sensitive to market confidence than larger universal banks in NIBC's key markets.

Outlook: Negative

The negative outlook on NIBC Bank N.V. primarily reflects our view that the economic contraction in the eurozone, and particularly in the Netherlands, could impair the bank's asset quality and capitalization over the next 18-24 months. We expect the corporate and small business portfolio to be the most vulnerable.

Downside scenario

Consequently, we would most likely lower the ratings over the next 18-24 months if we observed that nonperforming exposures and credit losses were rising faster, affecting NIBC's earnings-generation capacity and capitalization, and pushing the risk-adjusted capital (RAC) ratio below 10%. This may occur following a deterioration in economic and operating conditions, either because the downturn is deeper and longer, or the recovery weaker, than we currently anticipate. We could lower the ratings if the bank were unable to attract sources of financing at reasonable costs. Although at an early stage, we could also lower our long-term rating on NIBC if we saw greater risk appetite or business concentration following the acquisition by Blackstone. Finally, a negative action could also occur if the additional loss-absorbing capacity (ALAC) buffer that protects senior creditors falls short of our expectation that it will remain above 5.5% of S&P Global Ratings' risk-weighted assets (RWAs) over the outlook horizon. This could happen, for example, because of a more aggressive capital policy than currently expected.

Upside scenario

We could revise the outlook back to stable if we considered that economic and operating conditions had stabilized and anticipated limited further downside risks to NIBC's financial profile.

Rationale

Our rating rationale on NIBC captures the bank's large capital base, which--combined with NIBC's ongoing de-risking strategy in its corporate portfolio, agile business model, well-collateralized loan book, and risk management expertise in the sectors in which the it operates--supports its financial profile. Therefore, we believe that our RAC ratio will remain above 10% through to end-2022, proving able to absorb the negative effects of the COVID-19 pandemic-induced macroeconomic shock.

Moreover, the 'BBB+' rating also reflects our view that the bank has soundly progressed in the build-up of additional loss-absorbing buffers over the past two years, thereby granting its senior creditors an enhanced level of protection in the event of a resolution scenario. This is currently reflected in one notch of ALAC above the bank's stand-alone credit profile (SACP).

We continue to believe that a strong capitalization is important to NIBC's capacity to attract funding at moderate costs and, therefore, to its earnings prospects, given the bank's market-sensitive business model.

In this regard, we believe that NIBC's business strategy will remain focused on niche corporate and retail franchises, profitable but still limited relative to large and more diverse banks operating in its key markets. Furthermore, we believe that NIBC will continue to be subject to potential volatility or more pronounced credit cycles in its chosen segments, particularly from its riskier corporate banking activities. This continues to limit any upside, in our view, along with the still material downside risk attached to the development of the macroeconomic framework over the next 12-18 months.

The starting point for our ratings on NIBC is its 'bbb+' anchor, which we base partly on our view of the weighted-average economic risks across the countries in which it operates. We then adjust for four institution-specific factors, as detailed below, to determine the group credit profile (GCP), currently 'bbb'.

Anchor:'bbb+' for banks operating in the Netherlands

Although NIBC is exposed to other countries--mainly Germany and the U.K.--our assessment of economic risks in the Netherlands, where the majority of NIBC's exposures reside, is what mainly drives our blended economic risk score. We calculate its blend of economic risks to be close to '3 'on a scale of 1-10 ('1' is the lowest risk and '10' is the highest).

Our assessment of Dutch economic risk balances the wealthy, diversified, and competitive nature of the Dutch economy, which also translates into a wealthy sovereign able to support the real economy, against its sensitivity to international trade volatility, which the COVID-19 pandemic has radically amplified. Pre-existing concerns related to global trade tensions and Brexit remain. We expect the Netherlands to rebound in 2021 with a 3.0% GDP growth following a 4.1% recession in 2020. We continue to see downside risks, which will likely affect the credit quality of export-oriented corporates, small and midsize enterprises, or other cyclical sectors.

Private sector leverage in the Netherlands remains, on a gross basis, among the highest in the world and constrains the structural ability of the Dutch economy to easily withstand potential external shocks. Economic imbalances have not receded in recent years because of strong house price inflation. Household indebtedness will reduce over time, with the gradual move away from interest-only (non-amortizing) mortgages, but improvements have so far been hardly visible in absolute terms. Authorities in the Netherlands and across many other European countries have delivered unprecedented policy responses in the form of monetary, fiscal, and regulatory support to their economies. Still, we expect the pandemic-related short-term shock to have a meaningful impact on banks' asset quality, revenue, profitability, and refinancing costs. On that basis, we consider that the trend for economic risk for banking activities in the Netherlands is negative.

Our assessment of industry risk for Dutch banks incorporates high domestic concentration and our view of a stable competitive environment. We consider that the prospective profitability of domestic banking activities is adequate, although the 2020 economic shock will likely have a meaningful negative effect. We observe relatively supportive price discipline in the competitive mortgage segment. Some of the large banks have completed major restructuring efforts, while cost-optimization programs continue in the context of the persistently low interest rate environment. The system's relatively heavy reliance on wholesale funding is partly attributable to households' propensity to save in life insurance and pension products, rather than bank deposits. We consider that Dutch systemwide funding benefits from, among other things, the depth of the domestic capital market and the Dutch authorities' strong track record in providing liquidity support. We view the trend for industry risk as stable.

Table 1

NIBC Holdings N.V.--Key Figures

	--Fiscal year end Dec. 31--				
(Mil. €)	**2020***	**2019**	**2018**	**2017**	**2016**
Adjusted assets	22,228.0	22,369.0	21,548.0	22,145.0	23,492.0
Customer loans (gross)	17,411.0	17,862.0	17,231.0	17,131.0	17,253.0
Adjusted common equity	1,610.0	1,603.0	1,482.6	1,725.9	1,595.0
Operating revenues	215.0	537.0	551.0	559.0	391.0
Noninterest expenses	117.0	227.2	239.0	233.0	206.0
Core earnings	10.0	214.0	229.0	216.0	87.1

*Data as of June 2020.

Business position: Niche franchises, but ongoing de-risking strategy and good management execution capabilities

We consider NIBC's niche franchises in both its corporate and retail segments, our view of potential volatility in some of the bank's sectors, and its modest overall market position to be factors that may jeopardize the predictability of the bank's earnings stability over time. In our view, NIBC's continued focus on managing and reducing high-risk exposures, combined with management's strong strategic execution capabilities, partially offsets these factors.

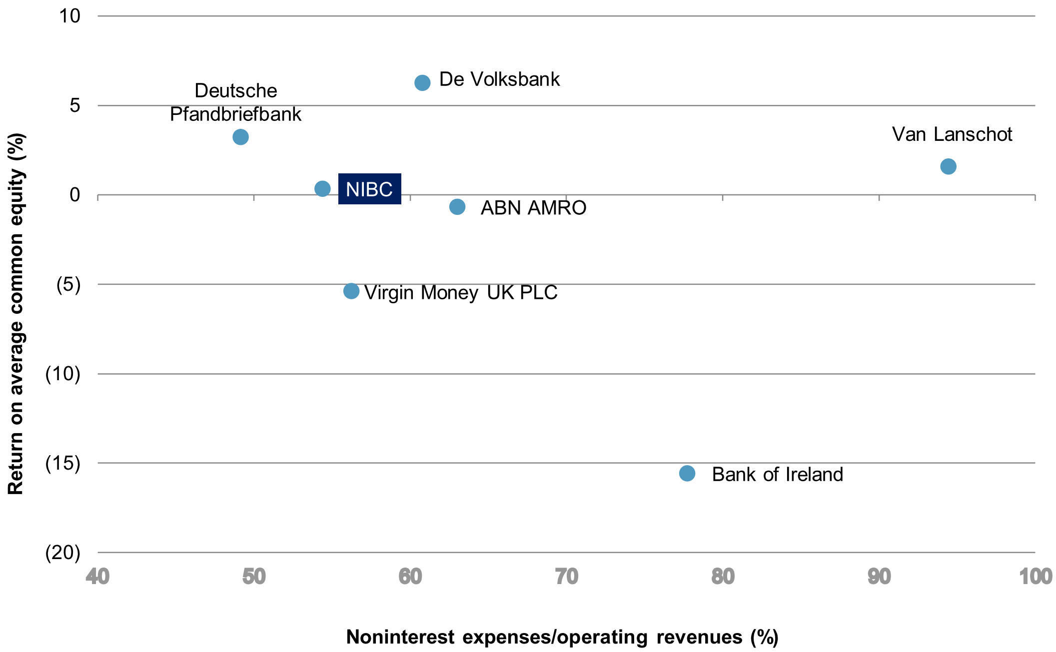
With total assets of about €22.3 billion estimated at year-end 2020, NIBC is a midsize bank within the overall Dutch system. Although able to rely on stable customer relationships--especially within its corporate customer base--NIBC lacks the strength of its larger domestic peers' (ABN AMRO, ING, and Rabobank) long-standing franchises.

We consider the bank's lending franchise as relatively limited in the Dutch context, with about 2% market share.

Furthermore, we compare NIBC with smaller Dutch banks and other lenders--including De Volksbank and Van Lanschot--and international peers such as CYBG PLC, Bank of Ireland, Deutsche Pfandbriefbank AG, and Danmarks Skibskredit (see chart 1).

Chart 1

High Margins And Cost-Efficient Business Model Support NIBC's Performance
As of June 30, 2020

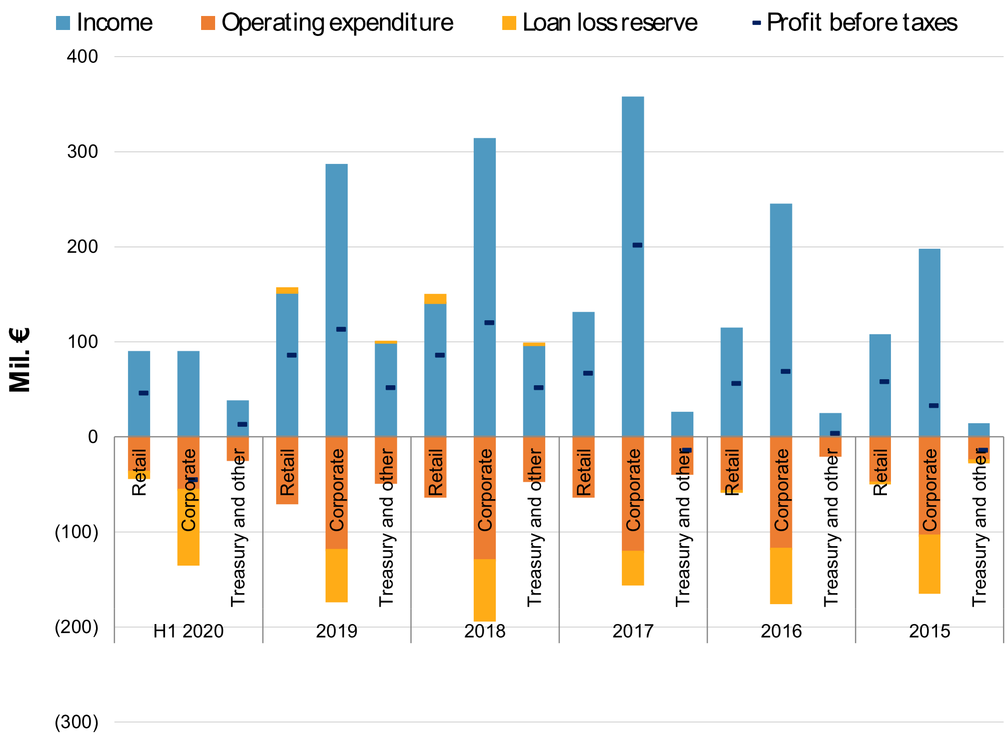


Source: S&P Global Ratings. *Data for ABN AMRO, Virgin Money UK PLC, and Deutsche Pfandbriefbank as of Sept. 30, 2020.

Although NIBC's small size and niche focus give way to a flexible structure and alternative avenues for profitable growth, we consider that its niche franchises lead to a potentially more confidence-sensitive business model. It also requires management to constantly look for the next available growth determinants, when the first-mover competitive advantage vanishes or larger banks use their pricing power to gain market share.

Chart 2

Gradual Increase Of Retail Income Reflects NIBC's Ongoing Strategy



Source: S&P Global Ratings.

Historically, most of NIBC's net profit has stemmed from its corporate banking income, which originated from lending and providing advisory services to mid-cap companies in the Benelux region, Germany, and internationally to a few niche sectors including infrastructure, shipping, and oil and gas. However, the bank's ongoing deleveraging in the shipping, offshore energy, and leverage finance corporate segments, as well as the strategic refocus on retail business niches—such as the originate-to-manage (OTM) business--has recently led to a more balanced income contribution from the corporate and retail business segments.

NIBC launched its OTM business in 2016, with an initial expansion into the retail space. Through this offering, NIBC originates long fixed-interest mortgage loans under its own label and distributes the loans to institutional investors who seek these long-duration products. The OTM portfolio has been increasing over the past four years, going beyond €6 billion assets in June 2020 (out of which, €5.7 billion are retail assets). In parallel, the amount of OTM-related fee income has also increased, constituting about 73% of the whole fee income at June 2020 (6.5% of the whole revenue base at the same date). We expect the bank to further expand into the corporate space over the next couple of years, and this business to remain one of the bank's core areas of development in 2021-2022.

Over the next two years, we also expect the bank to remain focused on its retail direct lending (owner-occupied and buy-to-let), while continuing to rebalance its corporate book. This will be achieved by gradually decreasing its exposures in the shipping, offshore energy, and leverage finance sectors, and by investing in corporate niche segments that embed ongoing and fast-developing trends (that is, fintech and digital infrastructures).

We anticipate that cumulative lending growth will remain relatively contained in 2021-2022 and below a total 4%. In addition to the expected deleveraging in some of the bank's corporate segments, this growth rate reflects the stiff competitive pressure in a low interest rate environment, especially in the retail mortgage sector, as well as the challenging macroeconomic environment, and the bank's focus on asset quality. Furthermore, it reflects our expectation that NIBC will keep expanding within small-ticket lending businesses that could improve the portfolio granularity, such as Beequip (equipment leasing company). In addition, NIBC also recently launched yesqar, a fintech initiative that offers solutions to the automotive sector, with an exclusive focus on financing cars on stock and car-leasing portfolios.

Overall, we see the bank's medium-term profitability target (return on equity between 10%-12%) as credible, although likely difficult to achieve over the next 12-18 months, given the still uncertain macroeconomic outlook.

On Dec. 18, 2020, NIBC and the private equity firm Blackstone (through the Dutch Flora Acquisition B.V.) obtained all of the regulatory clearances required to close Blackstone's offer to acquire full ownership of NIBC. On Dec. 21, 2020, the acceptance period for the offer ended, with above 96% acceptance level from NIBC's previous shareholders. At this stage, we do not expect any material impact on the bank's strategic directions resulting from the ownership change.

Table 2

NIBC Holdings N.V.--Business Position

	--Fiscal year end Dec. 31--				
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Total revenues from business line (currency in millions)	215.0	537.0	551.0	559.0	413.0
Commercial banking/total revenues from business line	41.4	53.3	56.6	63.9	59.1
Retail banking/total revenues from business line	41.4	28.3	25.6	23.3	27.6
Commercial & retail banking/total revenues from business line	82.8	81.6	82.2	87.1	86.7
Trading and sales income/total revenues from business line	17.2	18.4	17.6	4.5	8.2
Other revenues/total revenues from business line	N/A	N/A	0.2	8.4	5.1
Investment banking/total revenues from business line	17.2	18.4	17.6	4.5	8.2
Return on average common equity	0.3	10.8	11.8	11.4	5.9

*Data as of June 2020. N/A--Not applicable.

Capital and earnings: Robust capitalization, on the back of controlled balance sheet growth and positive internal capital generation

We believe that NIBC's creditworthiness will continue to benefit from robust capitalization. As a result, we expect that, over the next two years, the bank's RAC ratio will remain above the 12% value calculated at year-end 2019, on the back of a positive internal capital-generation capacity and a gradual recalibration of its lending portfolio toward retail assets.

Consistent with other key metrics, we calculate the bank's RAC ratio from the Pillar 3 report of its holding company, NIBC Holding N.V., to avoid any double leverage considerations, because there is a difference in the size of equity at the bank and at the holding company level. However, the difference in exposures between the two is minimal.

Our 2022 projected RAC range over the forecast period is based primarily on the following assumptions:

- S&P Global Ratings' RWAs to remain broadly stable compared with 2019, as a result of controlled growth in the loan book, ongoing de-risking in some of the bank's potentially more volatile corporate exposures, and decent asset quality metrics.
- ---Steady and granular growth in the equity investments portfolio, which totaled €303 million at December 2019. We expect the value of equity investments to range between €300 million-€320 million over the forecast period.
- ---Stable derivatives exposure, expected to remain below 3% of projected total assets.
- A moderate improvement in pre-provision income throughout our forecast horizon, although landing in 2022 at a lower level than the €310 million as of December 2019, as per our calculation. This trend reflects the effects of a challenging macroeconomic environment whose impact on the bank's top line results has not been counterbalanced by NIBC's tight control on its operating expenses.
- Cumulative impairment charges estimated to amount to about €250 million in 2020-2022, starting to normalize from 2022.
- Cumulative net income of about €260 million in 2020-2022. We expect NIBC's return-on-average common equity to be about 8% at end-2022, down from the 10% we calculate at end-2019 (although well above the 0.5% we estimate at end-2020).
- Shareholder distributions of up to 60% of net income, in 2021-2022. No dividend distribution is envisaged on 2020 income, at this stage.
- No exceptional items of note.

The difference between our capital measure and the higher regulatory ratios reported by NIBC Holding N.V. (18.5% common equity Tier 1 ratio on June 30, 2020) is in part attributable to our exclusion of some of the group's hybrid instruments in our measure of total adjusted capital (TAC). We include NIBC's €200 million additional tier 1 instrument, however, as we assess it as having intermediate equity content. Our lower RAC ratio also reflects the higher risk weights we assign to some of the bank's exposures, such as securitizations, corporates, and equity holdings.

S&P Global Ratings' RWAs factor in our views of risks per asset class and geography. Therefore, our calculations do not rely on banks' internal models, which may diverge widely from one institution to another and in many instances result in very low-risk weights.

Table 3

NIBC Holdings N.V.--Capital And Earnings					
	--Fiscal year end Dec. 31--				
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Tier 1 capital ratio	19.7	18.5	19.9	19.3	15.1
S&P Global Ratings' RAC ratio before diversification	N/A	N/A	11.7	13.2	11.1
S&P Global Ratings' RAC ratio after diversification	N/A	N/A	10.1	11.1	9.4
Adjusted common equity/total adjusted capital	89.0	88.9	88.1	89.5	100.0
Net interest income/operating revenues	96.7	79.3	77.5	61.2	74.9
Fee income/operating revenues	8.8	7.4	9.3	9.7	8.2
Market-sensitive income/operating revenues	(3.7)	11.4	12.3	29.2	14.3

Table 3

NIBC Holdings N.V.--Capital And Earnings (cont.)

	--Fiscal year end Dec. 31--				
(%)	2020*	2019	2018	2017	2016
Cost to income ratio	54.4	42.3	43.4	41.7	52.7
Preprovision operating income/average assets	0.9	1.4	1.4	1.4	0.8
Core earnings/average managed assets	0.1	1.0	1.0	0.9	0.4

*Data as of June 2020. N/A--Not applicable.

Table 4

NIBC Holdings N.V.--Risk-Adjusted Capital Framework Data

(Mil. €)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government & central banks	2,121.0	--	--	9.5	0.4
Of which regional governments and local authorities	--	--	--	--	--
Institutions and CCPs	987.0	183.8	18.6	210.9	21.4
Corporate	8,918.0	5,153.8	57.8	7,028.1	78.8
Retail	9,956.5	1,017.5	10.2	2,366.5	23.8
Of which mortgage	9,889.9	975.0	9.9	2,317.2	23.4
Securitization§	862.4	569.8	66.1	666.6	77.3
Other assets†	541.6	97.5	18.0	609.3	112.5
Total credit risk	23,386.5	7,022.3	30.0	10,890.9	46.6
Credit valuation adjustment					
Total credit valuation adjustment	--	29.2	--	--	--
Market Risk					
Equity in the banking book	297.5	1,101.3	370.2	2,490.0	837.0
Trading book market risk	--	97.5	--	205.3	--
Total market risk	--	1,198.8	--	2,695.3	--
Operational risk					
Total operational risk	--	1,008.8	--	1,402.4	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	9,258.9	--	14,988.5	100.0
Total diversification/ concentration adjustments	--	--	--	2,477.1	16.5
RWA after diversification	--	9,258.9	--	17,465.6	116.5
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		1,596.0	17.2	1,803.0	12.0
Capital ratio after adjustments‡		1,596.0	17.2	1,803.0	10.3

Table 4

NIBC Holdings N.V.--Risk-Adjusted Capital Framework Data (cont.)

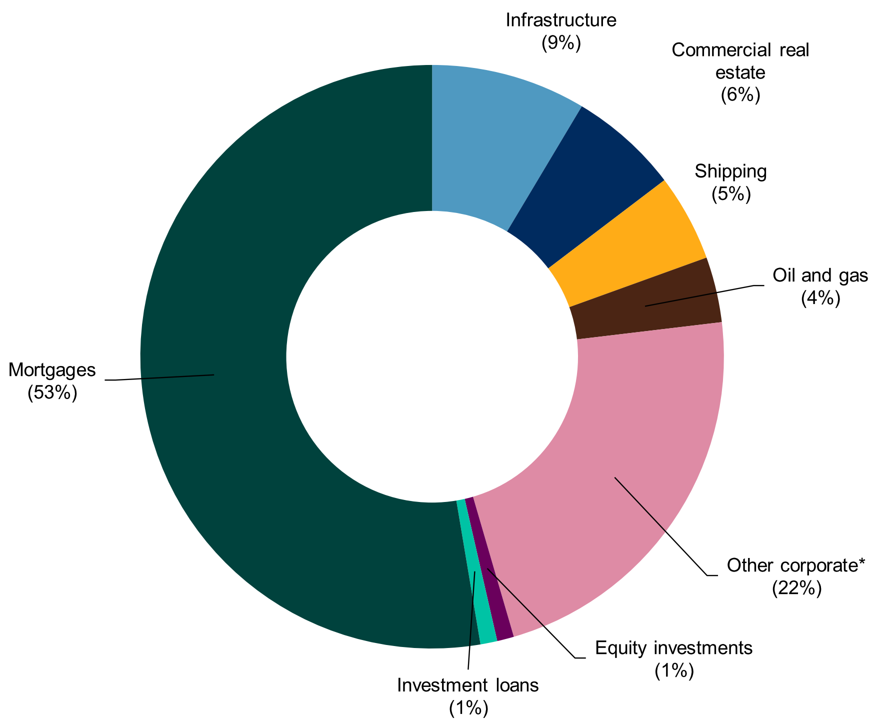
*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of 'Dec. 31 2019', S&P Global Ratings.

Risk position: Risk management expertise, a well-collateralized portfolio, and continued reduction in large corporate risk exposures

We believe that NIBC's risk-management expertise in the sectors it operates, the collateralized nature of most of the outstanding lending activities, and the bank's continued efforts to reduce its exposure to some potentially more volatile corporate sectors mitigate NIBC's credit risk. Furthermore, at this stage, we do not expect the new shareholder to substantially interfere with the bank's risk appetite or strategy.

Chart 3

NIBC Holding N.V.--Key Risk Exposures In June 2020 (€18,637 Million)



*Other corporate comprises industries and manufacturing, telecom, media, technology and services, food, agri, retail an

We expect NIBC to control growth well, with no extension of risk appetite compared with most recent trends. NIBC Bank's key risk exposures totaled €18.6 billion as of June 30, 2020, by our measures, €1 billion lower than the €19.6 billion six months earlier. The decrease is entirely related to the bank's ongoing de-risking strategy in the shipping, offshore energy, and leverage finance corporate segments. Management-reported data includes undrawn corporate exposure commitments. Our view of the key risk exposures also includes equity investments of €271 million (€303 million in 2019) and investment loans--typically unsecured subordinated loans--of €173 million.

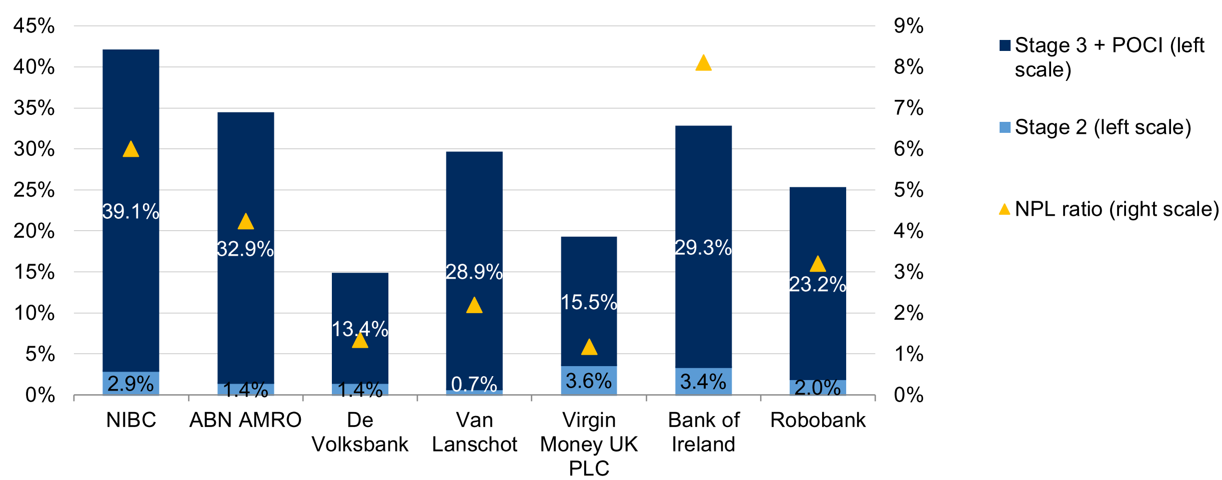
As of June 30, 2020, NIBC's retail exposures appeared slightly higher than the ones related to its corporate lending activity --€9.8 billion and €8.9 billion, respectively. This reflects the bank's deleveraging efforts in the corporate sector and its strategic focus on its retail business.

The corporate book is mainly spread between Dutch, German, and U.K. clients. NIBC focuses on seven sectors, the largest exposure stemming from infrastructure (about €1.6 billion, of which the majority is Dutch clients). Other noteworthy segments include mid-market corporates (€1.3 billion); fintech and structured finance (€1.3 billion); commercial real estate (€1.1 billion, purely based in Germany and The Netherlands); shipping (€0.9 billion); and oil and gas (€0.7 billion). We recognize that reported exposure to the last three of the above segments has decreased to €2.7 billion as of June 30, 2020, from about €4.0 billion in 2016.

The mortgage book is predominantly Dutch. We will continue to monitor the evolution of new lending, especially buy-to-let (BTL) originations. However, BTL growth to date has been conservatively underwritten and the pace of growth has been relatively slow.

Chart 4

Risk Management Expertise And Good Level Of Collateral Counterbalance NIBC's Relatively High Credit Risk



NPL--Nonperforming loans. Source: S&P Global Ratings.

Despite the likely tough credit outlook for 2021, our RAC projection incorporates new impairment charges averaging between 30-35 basis points (bps) over 2021-2022. These follow the 80-90 bps expected at end-2020, reflecting the impact of the pandemic-related macroeconomic shock on the bank's lending book, especially in the corporate segment.

We consider the profile of the loan book to be more aggressive than we would typically observe at a commercial bank.

NIBC states that the weighted-average credit quality of the corporate loan book is equivalent to 'B+', but that loss-given default is concentrated in categories that correspond to recoveries in the upper end of the 80%-90% range. Nevertheless, we believe that our 80% average risk weight for NIBC's corporate exposures in our RAC calculation adequately captures the risks in this book.

Table 5

NIBC Holdings N.V.--Risk Position					
	--Fiscal year end Dec. 31--				
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Growth in customer loans	(5.0)	3.7	0.6	(0.7)	4.5
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	N/A	15.9	19.3	18.0
Total managed assets/adjusted common equity (x)	13.8	14.0	14.5	12.8	14.7
New loan loss provisions/average customer loans	0.9	0.3	0.3	0.3	0.5
Net charge-offs/average customer loans	0.5	0.3	0.3	0.3	0.2
Gross nonperforming assets/customer loans + other real estate owned	6.0	5.0	5.6	4.9	5.1
Loan loss reserves/gross nonperforming assets	20.1	18.7	17.5	17.3	20.4

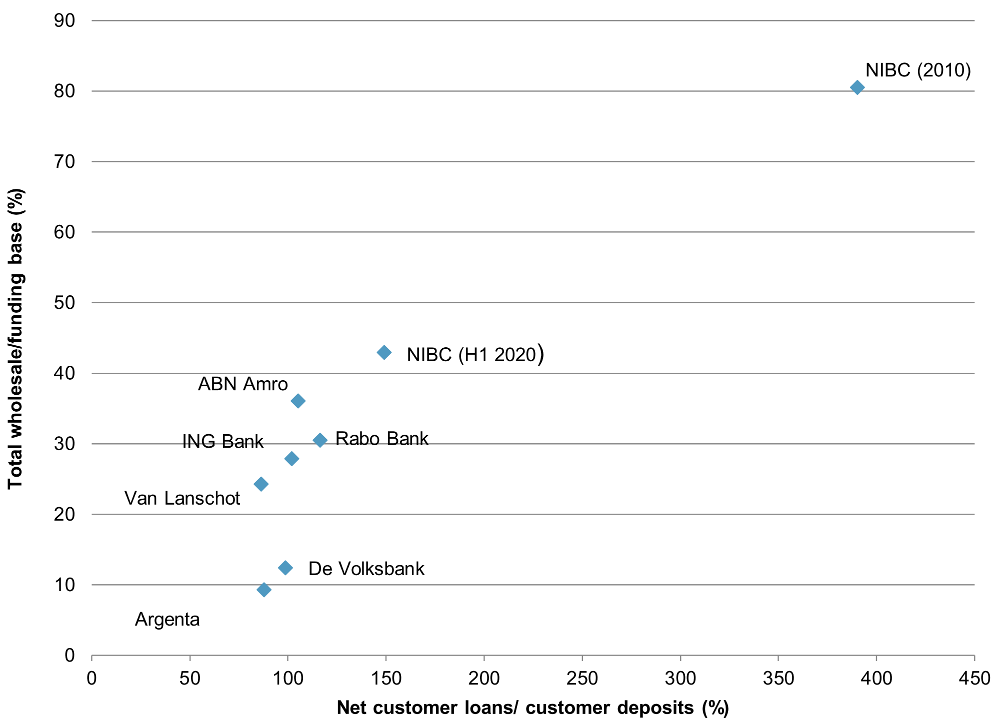
*Data as of June 2020. RWA--Risk-weighted assets.

Funding and liquidity: Still aligned to the Dutch industry average

NIBC's funding profile has progressively improved, tending to align with the Dutch industry average, with a more diversified base and lengthened overall maturity profile (see chart 5). The execution of this strategy prompted us to upgrade the bank in 2017, and any reversing trend would constrain its creditworthiness, given the bank's confidence sensitivity.

Chart 5

NIBC Holding N.V.--Funding Profile Better Reflects The Domestic Industry Average



Data as of first-half 2020, except Argenta as of Dec. 31, 2019, and ING Bank as of Dec. 31, 2018.

The increased proportion of retail deposits--which we expect to stay within the 55%-60% range as a proportion of total funding--and its bias toward long-term wholesale funding support NIBC's funding position, which we now consider more in line with Dutch peers and with the bank's asset profile.

We calculate NIBC's customer loan-to-deposit ratio was at 150% at June 2020, and we do not foresee any significant improvement of the ratio in the coming years. This is because we expect customer deposits to remain broadly stable, at about 58% of the funding base (per our measures as of June 2020). Although this proportion is lower than the average value for some Dutch peers (71% of the funding base), it has been on an improving trend, increasing from 29% at year-end 2011.

While we tend to view online deposits as potentially more volatile than more relationship-based savings, we note the material share of term deposits (25% of the funding base at end-December 2019, on a downward trend compared with the 32% at end-2017) in NIBC's overall book; the good granularity and very high proportion of insured balances; the geographic diversity through its German and Belgian deposit base; and the broadly stable track record, even after a prolonged series of reductions in pricing. We consider the maturity profile of the bank's funding as adequate, illustrated by our stable funding ratio, which we expect to continue to exceed 100% (110% as of June end-2020).

NIBC's large portfolio of liquid assets, in the form of cash or securities eligible for repurchase agreement activity, support the bank's liquidity position. As of June 30, 2020, cash and balances at central banks totaled €2.5 billion. In addition, a debt securities portfolio of €938 million, comprised of highly rated bank and corporate bonds, is used to support liquidity. The bank states that on June 30, 2020, its Basel III-required liquidity coverage and net stable funding ratios were at 270% and 124%, respectively. We estimate our ratio of broad liquid assets to short-term wholesale funding to comfortably exceed 1x at end-2020.

Table 6

NIBC Holdings N.V.--Funding And Liquidity

	--Fiscal year end Dec. 31--				
(%)	**2020***	**2019**	**2018**	**2017**	**2016**
Core deposits/funding base	58.1	56.9	58.4	60.8	60.9
Customer loans (net)/customer deposits	149.2	155.9	151.9	147.6	144.7
Long-term funding ratio	94.2	93.4	93.2	91.2	98.4
Stable funding ratio	111.6	107.8	108.1	101.5	105.3
Short-term wholesale funding/funding base	6.4	7.3	7.5	9.8	1.7
Broad liquid assets/short-term wholesale funding (x)	2.6	2.0	1.9	1.2	5.9
Net broad liquid assets/short-term customer deposits	22.9	16.4	15.5	5.1	19.3
Short-term wholesale funding/total wholesale funding	14.9	16.6	17.7	24.3	4.3
Narrow liquid assets/3-month wholesale funding (x)	9.6	27.1	6.3	5.9	13.0

*Data as of June 2020.

Support: Low systemic importance in the Netherlands, but subject to resolution

We view the Dutch resolution regime as effective under our ALAC criteria because, among other factors, we believe it contains a well-defined bail-in process under which the authorities would permit nonviable, systemically important banks to continue critical functions as going concerns following a bail-in of eligible liabilities.

We used to consider NIBC as a low-systemic-importance bank in the Netherlands, which might be put into bankruptcy if regulators determined it to be nonviable. By contrast, the Single Resolution Board (SRB) stated the preferred resolution strategy for NIBC to be a single point of entry at NIBC Bank level with bail-in. This indicates that it would likely be subject to a well-defined bail-in resolution process, whose key objective is to ensure the timely and full payment of all banks' senior unsecured obligations. This means that NIBC is required to comply with a target minimum requirement for own funds and eligible liabilities (MREL).

We view the Dutch resolution regime as effective under our ALAC criteria because, among other factors, we believe it contains a well-defined bail-in process under which authorities would permit nonviable systemically important banks to continue critical functions as going concerns following a bail-in of eligible liabilities.

In the first half of 2020, NIBC issued a €200 million fixed-rate senior non-preferred transaction, which we include in our measure of ALAC, together with the €300 million issued in April 2019. We now expect NIBC's ALAC ratio to remain comfortably above our 5.5% threshold over 2020-2022.

In addition to the aforementioned MREL issuance, we include the majority of the legacy NIBC's junior and subordinated instruments in our ALAC assessment because, over our projection period, we believe they will remain in place and have capacity to absorb losses without triggering a default on NIBC's senior obligations (see table 7).

Table 7

Summary Of ALAC Calculation As Of Dec. 31, 2019

		(Bil. €)	% of S&P Global Ratings' RWA
A	Adjusted common equity	1,603	
B	Hybrids in TAC	200	
C (A+B)	Total adjusted common equity	1,803	12.03
D	TAC in excess of our 10% threshold	104	
E	ALAC-eligible instruments	850	
	o/w bail-inable senior debt	300	
	o/w dated subordinated	192	
	o/w minimal equity content hybrids	158	
	o/w other	0	
F (=D+E)	ALAC buffer	954	6.37
	S&P Global Ratings' RWA	14,989	

ALAC--Additional loss-absorbing capacity. RWA--Risk-weighted assets. TAC--Total adjusted capital. o/w--Out of which. Source: S&P Global Ratings.

Additional rating factors:None

No additional factors affect this rating.

Resolution counterparty ratings

We set the 'A-/A-2' resolution counterparty ratings (RCRs) on one notch above the long-term issuer credit rating. The RCRs also reflect our jurisdiction assessment for the Netherlands.

An RCR is a forward-looking opinion of the relative default risk of certain senior liabilities that may be protected from default through an effective bail-in resolution process for the issuing financial institutions. RCRs apply to issuers in jurisdictions where we assess the resolution regime to be effective and we consider the issuer likely to be subject to a resolution that entails a bail-in if it reaches nonviability.

Environmental, social and governance

We see ESG credit factors as being broadly in line with those of peers, and, notably, NIBC's direct Dutch competitors.

As a bank with material exposure to shipping, offshore energy, and commercial real estate (about 34% of corporate exposures), NIBC is subject to environmental risks as well as changing regulations and norms. However, the bank has started addressing these risks in the different sectors, significantly reducing its exposure to the shipping and the offshore energy segments. This proactive approach causes us to assess the impact of environmental factors on NIBC's credit quality as neutral. Social and governance factors are also credit-relevant, as they could affect the bank's reputation. We see NIBC's continued investment in its IT and client due diligence processes, combined with its risk-management expertise and proactive approach, as a positive factor for our credit assessment, enabling the bank to mitigate potential nonfinancial and reputational risks.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- NIBC Bank N.V. Outlook Revised To Negative On Sharp Economic Contraction; Ratings Affirmed, April 24, 2020
- Negative Rating Actions Taken On Multiple Benelux Banks On Deepening COVID-19 Downside Risks, April 23, 2020

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	**3**	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	**bbb+**	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of February 17, 2021)*	
NIBC Bank N.V.	
Issuer Credit Rating	BBB+/Negative/A-2
Resolution Counterparty Rating	A-/--/A-2
Commercial Paper	
Local Currency	A-2
Junior Subordinated	BB-
Senior Subordinated	BBB-
Senior Unsecured	BBB+
Short-Term Debt	A-2
Subordinated	BB+
Issuer Credit Ratings History	
23-Apr-2020	BBB+/Negative/A-2
14-May-2019	BBB+/Stable/A-2
29-Oct-2018	BBB/Positive/A-2
12-Oct-2017	BBB/Stable/A-2
19-Oct-2016	BBB-/Positive/A-3
Sovereign Rating	
Netherlands	AAA/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.