FitchRatings

04 Apr 2019 | New Issue

Fitch Rates NIBC Bank's Senior Non-Preferred Notes 'BBB'; Upgrades Senior Pref Debt to 'BBB+'

Fitch Ratings-Paris-04 April 2019: Fitch Ratings has assigned NIBC Bank N.V.'s (BBB/Stable) senior non-preferred notes issued on 2 April 2019 under the bank's EUR20 billion euro medium-term note programme a long-term rating of 'BBB'.

Additionally, Fitch has upgraded NIBC Bank's senior preferred debt's long-term rating to 'BBB+' from 'BBB', one notch above the bank's Long-Term Issuer Default Rating (IDR). Fitch has also upgraded NIBC Bank's senior preferred debt's short-term rating to 'F2' from 'F3'.

KEY RATING DRIVERS

Senior non-preferred notes are rated in line with NIBC Bank's Long-Term IDR (BBB/Stable). Fitch views the probability of default on the senior non-preferred notes as the same as the probability of default of the bank. Under its criteria, Fitch requires a high burden of proof to notch senior debt up or down from a bank's IDR based on recovery prospects, particularly at high rating levels. This is because the structure of a bank's balance sheet is likely to be very different at the point of failure.

The EUR300 million of fixed-rate senior non-preferred notes maturing in April 2024 were issued in anticipation of the upcoming minimum requirement for own funds and eligible liabilities. The resolution authorities have stated that the preferred resolution strategy for NIBC Bank is bail-in with a single point of entry at the level of NIBC Bank.

Senior non-preferred debt constitutes a new senior debt class under Dutch law since 14 December 2018, when the amendment to the Dutch Bankruptcy Act implementing EU Directive 2017/2399 into Dutch law came into force. In accordance with the new Article 212rb of the Bankruptcy Act, senior non-preferred obligations rank junior to deposits and preferred unsubordinated unsecured obligations and senior to any junior obligations.

The upgrade of NIBC Bank's senior preferred debt reflects Fitch's view that the combined buffer of newly issued senior non-preferred notes, in combination with NIBC Bank's outstanding qualifying junior debt (consisting of subordinated and hybrid instruments), is sufficient to materially reduce the risk of default for NIBC Bank's senior preferred creditors in case of failure.

Fitch estimates NIBC Bank's buffer of qualifying junior debt and senior non-preferred debt on 3 April 2019 was equal to about 10.1% of end-2018 risk-weighted assets (RWAs). We believe that a buffer equal to around 8% of RWAs, or NIBC Bank's Pillar 1 total capital requirement, would be sufficient to recapitalise the bank in case of resolution without causing losses to senior preferred creditors. Fitch believes that NIBC Bank's buffer of qualifying junior and senior non-preferred debt will remain sustainable in the longer-term in light of the upcoming minimum requirement for own funds and eligible liabilities and the bank's capital targets.

RATING SENSITIVITIES

The long-term rating of senior non-preferred notes is primarily sensitive to changes in NIBC Bank's Long-Term IDR.

The rating of senior preferred debt are sensitive to changes in NIBC Bank's IDRs, and to the size of the combined buffer of qualifying junior and senior non-preferred debt, particularly should it fall below around 8% of RWAs. The ratings are also sensitive to changes in Fitch's assumptions on the likely regulatory intervention point and the required post-resolution capital ratios.

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Applicable Criteria

Bank Rating Criteria (pub. 12 Oct 2018)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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