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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+/Stable/A-2

Resolution Counterparty Rating

A-/--/A-2

Major Rating Factors

Strengths:	Weaknesses:
• Large capital buffer. • Highly-collateralized loan book. • Agile business model, and prudent foray into new areas, facilitating the required build-up of sector expertise.	• Niche strategy in corporate banking and mortgage franchises, combined with the constant search for the next growth drivers. • Exposure to potentially volatile segments such as shipping, commercial real estate, and oil and gas. • Business model more sensitive to market confidence than larger universal banks in NIBC's key markets.

Outlook: Stable

The stable outlook on NIBC Bank N.V. reflects S&P Global Ratings' view that the bank will preserve its robust capitalization and sound asset quality. We expect NIBC to keep pursuing moderate balance-sheet growth over the next two years while maintaining its risk-controlled niche strategic focus. We expect its funding profile to remain aligned with that of other domestic peers. This implies that the bank's retail deposits will remain stable over time and constitute the majority of NIBC's funding base, while its wholesale funding remains well-diversified and strongly biased toward long-term maturities. The outlook also incorporates our belief that the bank will be able to maintain a buffer of bail-in-able instruments comfortably above 5.5% of projected S&P Global Ratings risk-weighted assets (RWAs) over the next 24 months.

Upside scenario

We currently see no upside to the bank's stand-alone credit profile (SACP), which we assess at 'bbb', given the bank's market sensitive business model and niche strategy. An upgrade could come from the build-up of more sustainable client-driven activities on both sides of the balance-sheet. However, we do not contemplate this scenario for the moment.

Downside scenario

We could lower our long-term rating on NIBC if we saw greater risk appetite or business concentration, which could result in a deterioration of the bank's asset quality or earnings stability. We could also lower the rating if the bank's capacity to attract and retain sources of stable funds at moderate costs--be it on the wholesale markets or via retail deposits--were to falter. Finally, a negative action could also be prompted by the additional loss-absorbing capacity (ALAC) buffer protecting senior creditors falling short of our expectation that it will remain above 5.5% of S&P Global Ratings' RWAs over the outlook horizon. This could happen, for example, because of a more aggressive capital policy than currently expected.

Rationale

Our rating rationale on NIBC captures the bank's sound capitalization, which, combined with the well-collateralized loan book and risk management expertise in the sectors the bank operates in, underpins its financial profile. In particular, we anticipate our risk-adjusted capital (RAC) ratio to remain well above 10% through to year-end 2021.

Moreover, the 'BBB+' rating also benefits from our view that the bank has soundly progressed in the build-up of additional loss-absorbing buffers, therefore granting its senior creditors an enhanced level of protection in the event of a resolution scenario. This is reflected in one notch of (ALAC) above the bank's 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 mortgage 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 limits any upside at this stage, in our view.

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: A wealthy and currently well-performing open Dutch economy, prone to volatility, and with a highly leveraged private sector

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 currently 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).

We base our assessment of economic risk on our view that the Dutch economy is wealthy, diversified, open, and competitive. We see this in the country's high income per capita, net external asset position, recurrent and elevated current account surpluses, and a long track record of prudent and flexible macroeconomic policies in a 'AAA'-rated country. The Dutch economy continues to perform well, and we forecast above-eurozone-average real GDP growth of 1.7% in 2019 and 1.5% on average over 2020-2022, with low unemployment, at about 3.3%. We believe this environment continues to uphold banking activities in the country. However, we also consider that the very open nature of the Dutch economy is a source of volatility. The current global trade tensions and the uncertainty around Brexit will contribute to the slowdown of economic growth in Europe, according to our estimates. Private sector leverage, on a gross basis, remains 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 a very dynamic real estate market. Nominal property prices rose by 8.5% in 2017 and 9.2% in 2018, and we project 6.3% growth this year. Household indebtedness will reduce over time, with the gradual shift from interest-only (non-amortizing) mortgages, but improvements so far have hardly been visible in absolute terms.

Our assessment of industry risks for Dutch banks incorporates high domestic concentration and our view of steady competition. We consider that the prospective profitability of domestic banking activities is adequate. We particularly note supportive price discipline in the competitive mortgage segment. Some of the large banks have completed sizable restructuring efforts and cost-optimization programs continue to counter the persistently low interest rates. Cost of risk also remained at low levels, mitigating asset repricing. The system's relatively large reliance on wholesale funding is partly attributable to households' propensity to save in life insurance and pension products, rather than in bank deposits. We consider that Dutch system-wide funding benefits from, among other things, the depth of the domestic capital market and the Dutch authorities' good track record in providing liquidity support.

Table 1

NIBC Holdings N.V. Key Figures

(Mil. €)	2019*	2018	2017	2016	2015
Adjusted assets	21,517	21,548	22,145	23,492	23,153
Customer loans (gross)	17,502	17,231	17,131	17,253	16,517
Adjusted common equity	1,543	1,483	1,726	1,595	1,617
Operating revenues	251	551	559	391	354

Table 1

NIBC Holdings N.V. Key Figures (cont.)

(Mil. €)	2019*	2018	2017	2016	2015
Noninterest expenses	116	239	233	206	189
Core earnings	89	229	216	87	87

*Data as of June 30.

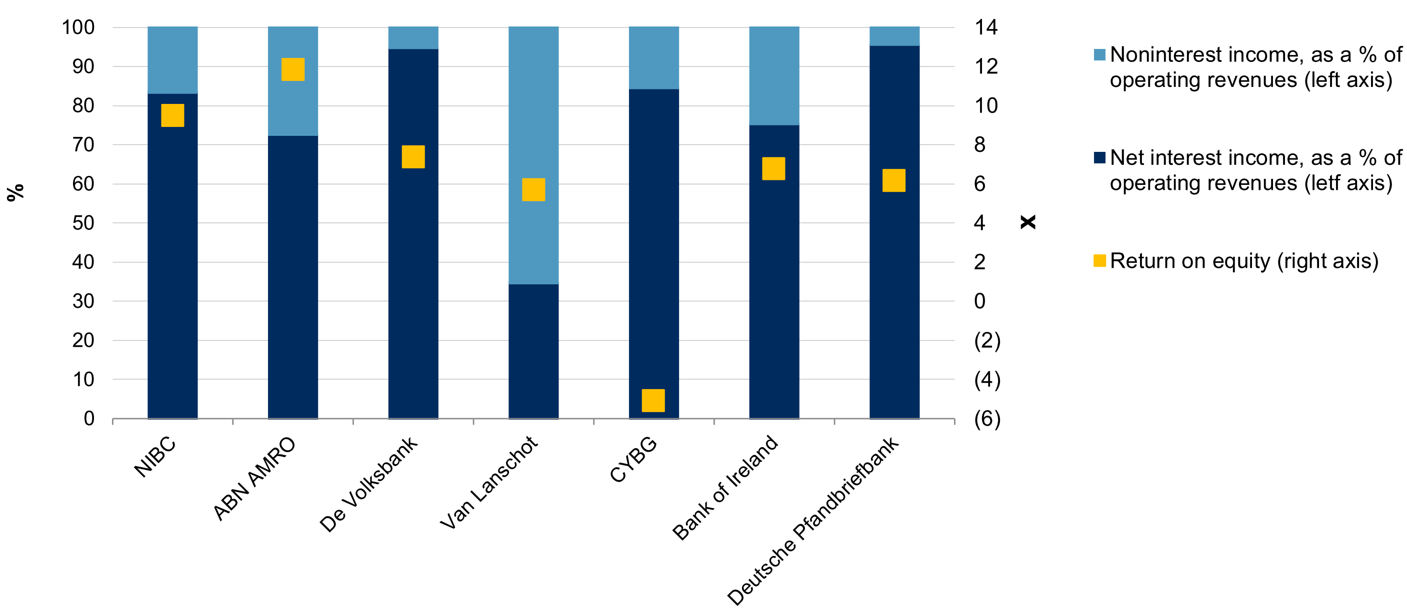
Business position: Niche franchises, but long-standing selected corporate sectorial expertise

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 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 partially offsetting these factors.

With total assets of €21.5 billion at June. 30, 2019, NIBC is a midsize bank within the overall Dutch system. We consider the bank's activities to be less diversified than its larger domestic peers (ABN AMRO, ING, and Rabobank), which also benefit from the strength of their long-standing franchises. 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

NIBC Holding N.V.-- Earnings And Profitability Versus Select Peers*



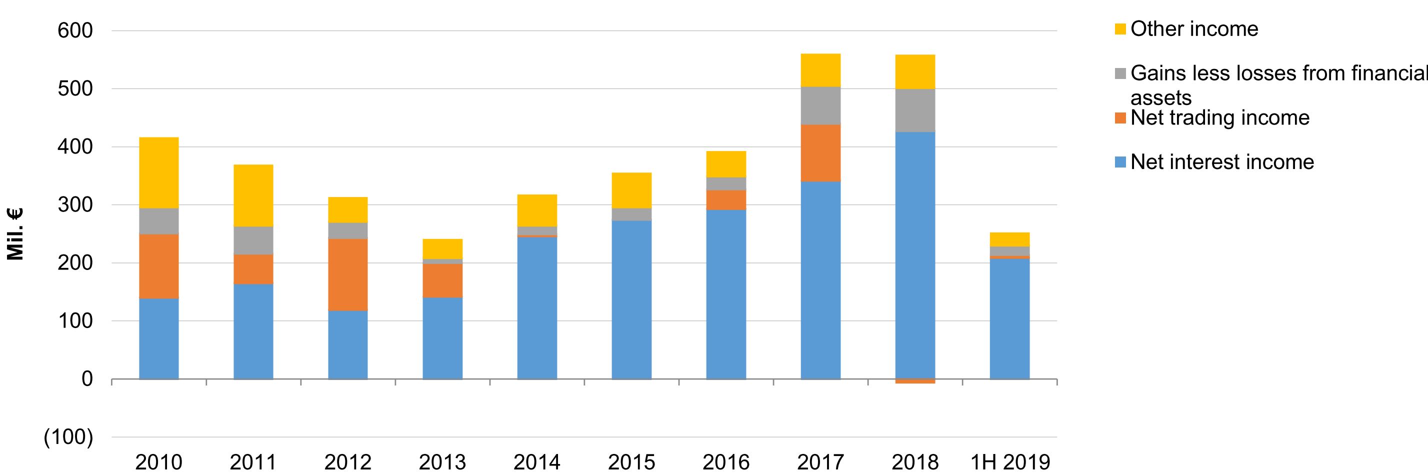
*Data as of Dec. 31, 2018, except for NIBC (June 30, 2019) and CYBG (Sept. 30, 2018).

The majority of NIBC's corporate banking income originates from lending and providing advisory services to mid-cap companies in the Benelux region and Germany, and internationally to a few niche sectors--including infrastructure, shipping, and oil and gas. We regard the bank's consumer banking franchise (NIBC Direct), which mainly comprises online deposit-gathering activities and mortgage lending, as relatively limited. For example, NIBC's share of stock of the Dutch mortgage market is just under 4%. Although NIBC's small size and niche focus give way to a flexible structure and alternative avenues for 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 drivers, when the first mover competitive advantage vanishes or larger banks leverage on their pricing power to gain market share.

We anticipate lending growth rates to remain contained, specifically at about 2.0%-2.3% per year in 2019-2021. In addition to the expected deleveraging in some of the bank's corporate segments (i.e. shipping and offshore energy), these moderate growth rates reflect the increasing competitive pressure in a low interest rate environment, especially in the retail mortgage sector.

Chart 2

NIBC Holding N.V.-- Reported Operating Income



On March 6, 2019, the private equity (PE) firm J.C. Flowers & Co. LLC announced the sale of 11.7 million existing ordinary shares in NIBC Holding NV (NIBC), approx. 8% of NIBC's outstanding share capital, after having owned NIBC for several years. This was the second tranche, following the 2018 IPO. Although we recognize that J.C. Flowers & Co. LLC's presence on NIBC's supervisory board has added value to the bank's managing board and provided a useful global perspective on its plans to grow NIBC's niche franchises, NIBC's PE ownership has been considered as neutral for our credit assessment. At this stage, we don't see any material impact on the bank's strategic directions resulting from the ownership change.

Table 2

NIBC Holdings N.V. Business Position

(%)	2019*	2018	2017	2016	2015
Total revenues from business line (mil. €)	251	551	559	413	354
Commercial banking/total revenues from business line	50.60	56.62	63.86	59.08	55.65
Retail banking/total revenues from business line	29.08	25.59	23.26	27.60	29.94
Commercial & retail banking/total revenues from business line	79.68	82.21	87.12	86.68	85.59
Trading and sales income/total revenues from business line	20.32	17.60	4.47	8.23	0.00
Other revenues/total revenues from business line	N/A	0.18	8.41	5.08	14.41
Investment banking/total revenues from business line	20.32	17.60	4.47	8.23	0.00
Return on average common equity	9.39	11.83	11.41	5.86	4.10

*Data as of June 30. 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. In this regard, we anticipate that its RAC ratio will range between 12.35% and 12.65% over the next two years, up from 11.7% at year-end 2018.

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

- S&P Global Ratings' risk-weighted assets to rise moderately as a result of controlled growth in the loan book. We forecast around 2.2% on average per year.
- ---Steady and more granular growth in the equity investments portfolio, which decreased to €215 million at December 2018 from €343 million the year before, following several equity divestments performed in 2018. We expect the value of equity investments to rise by 20% maximum over the forecast period.
- ---Stable derivatives exposure, expected to remain below 3% of projected total assets.
- A moderate improvement in pre-provision income (from about €252 million in 2018, by our calculation) on the back of improving net interest margins, and growth in operating revenues outpacing growth in its operating expense.
- Impairment charges to be broadly stable relative to the €54 million reported in 2018, and to remain in the range of €55-60 million in 2019-2021.
- Shareholder distributions of up to 60% of net income, in line with 2018.
- No exceptional items of note.

In 2018, we observed that the group's profit before tax rose to a reported €258 million from €123 million in 2016. Earnings were better year-on-year as an improvement in the bank's net interest income accompanied higher fee income and decreasing credit losses. A reduction in the average cost of funding mostly supported the improvement in net interest margins.

The difference between our capital measure and the higher regulatory ratios reported by NIBC Holding N.V. (16.1% pro-forma common equity Tier 1 ratio on December 31, 2018) 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.

This is mainly why our view of NIBC's capitalization has not fundamentally changed, even after the results of the DNB's review of the internal models applied to its corporate portfolio.

The review resulted in a €1,173 million increase in regulatory RWAs for this portfolio, a 30% increase, driving the bank's CET1 ratio to 16.1% (at Dec. 31, 2018), down from the previously published 18.5%, higher than our 11.7% RAC calculation at the same date.

Still, the extent of the CET1 ratio decline is large and questions the robustness of internal models to produce sufficiently conservative RWAs through the cycle.

Table 3

NIBC Holdings N.V. Capital And Earnings

(%)	2019*	2018	2017	2016	2015
Tier 1 capital ratio	19.90	19.90	19.30	15.10	13.90
S&P Global Ratings' RAC ratio before diversification	N/A	11.72	13.21	11.07	N/A
S&P Global Ratings' RAC ratio after diversification	N/A	10.11	11.08	9.38	N/A
Adjusted common equity/total adjusted capital	88.53	88.11	89.48	100.00	100.00
Net interest income/operating revenues	83.27	77.50	61.18	74.94	77.40
Fee income/operating revenues	7.57	9.26	9.66	8.18	10.17
Market-sensitive income/operating revenues	8.37	12.34	29.16	14.32	6.21
Noninterest expenses/operating revenues	46.22	43.38	41.68	52.69	53.39
Preprovision operating income/average assets	1.25	1.43	1.43	0.79	0.72
Core earnings/average managed assets	0.83	1.05	0.95	0.37	0.38

*Data as of June 30. RAC--Risk-adjusted capital. 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 RWA	Average S&P Global RW (%)
Credit risk					
Government & central banks	2,207	0	0	9	0
Of which regional governments and local authorities	0	0	0	0	0
Institutions and CCPs	922	238	26	168	18
Corporate	9,255	4,241	46	7,373	80

Table 4

NIBC Holdings N.V. Risk-Adjusted Capital Framework Data (cont.)					
Retail	9,568	1,046	11	2,168	23
Of which mortgage	9,547	1,031	11	2,156	23
Securitization§	577	63	11	571	99
Other assets†	364	0	0	409	113
Total credit risk	22,893	5,588	24	10,698	47
Credit valuation adjustment					
Total credit valuation adjustment	--	238	--	0	--
Market Risk					
Equity in the banking book	210	804	382	1,773	843
Trading book market risk	--	230	--	521	--
Total market risk	--	1,034	--	2,294	--
Operational risk					
Total operational risk	--	938	--	1,369	--
(Mil. €)	**Exposure**	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global RWA**	**% of S&P Global RWA**
Diversification adjustments					
RWA before diversification	--	7,796	--	14,361	100
Total Diversification/ Concentration Adjustments	--	--	--	2,277	16
RWA after diversification	--	7,796	--	16,638	116
(Mil. €)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments	--	1,570	20.1	1,683	11.7
Capital ratio after adjustments‡	--	1,570	20.1	1,683	10.1

*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 2018, S&P Global Ratings.

Risk position: Sound asset quality track record and reduction in large risk exposures

In our view, NIBC's long-term loss experience in corporate and retail lending is broadly comparable with the Dutch industry average, despite some corporate sector concentrations. Key rating considerations remain linked to the performance of critical segments of NIBC's corporate banking assets, in particular the shipping, commercial real estate, and oil and gas segments, which are actively managed.

At this stage, we continue to expect NIBC to be controlling growth well, with no extension of risk appetite compared to most recent trends. NIBC Bank's key risk exposures totaled €19.3 billion as of June 30, 2019, by our measures, down mostly in line with the €18.7 billion six months before. Management-reported data includes undrawn corporate exposure commitments, whereas figures on the balance sheet are only drawn balances with the exception of equity investments.

These exposures were fairly evenly balanced between corporate lending and residential mortgages--€9.7 billion and €9.6 billion, respectively. We note that a portion of corporate lending includes leverage finance for €1.3 billion. Our view of the key risk exposures also includes equity investments of €238 million (€343 million in 2017) and investment loans--typically unsecured subordinated loans--of €226 million.

The corporate book is mainly spread between Dutch, German, and U.K. clients. NIBC focuses on seven sectors, the largest exposure stemming from industries and manufacturing (about €1.5 billion, of which the majority is Dutch clients). Other noteworthy segments include infrastructure (€1.6 billion); shipping (€1.3 billion); commercial real estate (€1.3 billion; purely based in Germany and The Netherlands); and oil and gas (€0.8 billion). We recognize that reported exposure to the latter three segments have decreased marginally to €3.5 billion as of June 30, 2019, from about €4.0 billion in 2016.

The mortgage book is predominantly Dutch, and it is now solely originated organically under the NIBC Direct label (since May 2013; previously it was just white label). 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.

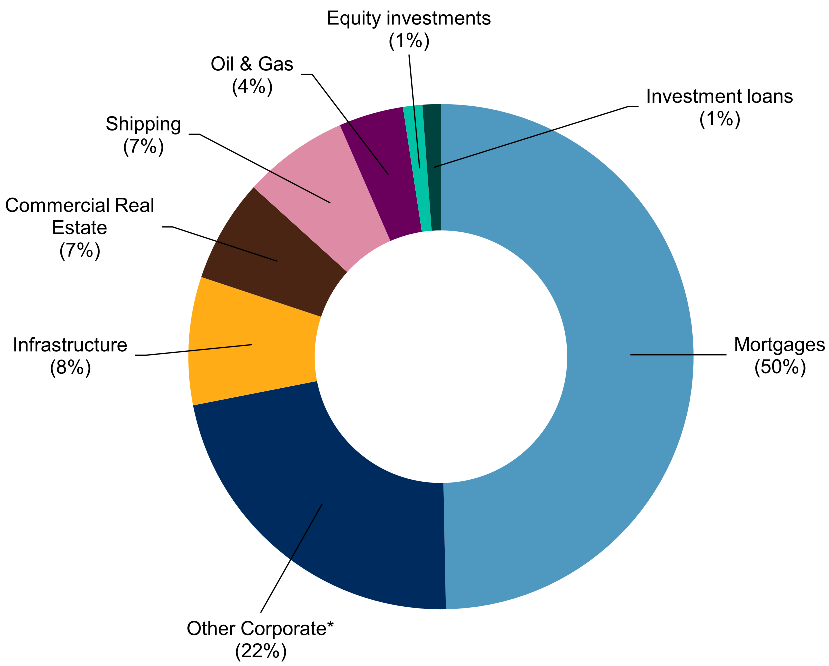
Our RAC projection incorporates a relatively benign credit outlook, with new impairment charges averaging between 30-40 basis points over 2019-2021, which is based on our understanding of NIBC's good risk management capabilities and the supportive operating environment in the Northern European countries where he bank operates.

We also take into account that the collateralized nature of most lending activities, as well as the sound sector knowledge and underwriting criteria, will continue to mitigate the risk. This is because we believe the high degree of collateralization in its loan book supports NIBC's recoveries.

Despite the generally good relative loss experience, 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.

Chart 3

NIBC Bank N.V. Key Risk Exposures At June 2019 (€19.3 Billion)



*Other Corporate comprises Industries & Manufacturing, Telecom, Media, Technology & Services, Food, Agriculture, Retail & Health, and Lease receivables.

Chart 4

NIBC Bank N.V. Key Risk Exposures By Geography At December 2018 (€18.7 Billion)

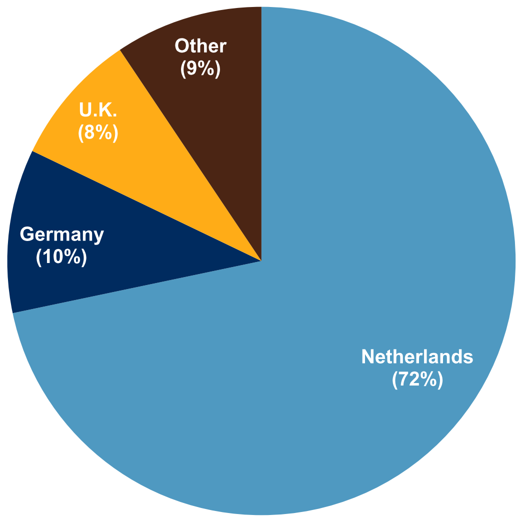


Table 5

NIBC Holdings N.V. Risk Position

(%)	2019*	2018	2017	2016	2015
Growth in customer loans	3.15	0.58	(0.71)	4.46	5.91
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	15.85	19.26	18.04	N/A
Total managed assets/adjusted common equity (x)	13.95	14.54	12.83	14.73	14.32
New loan loss provisions/average customer loans	0.24	0.31	0.33	0.49	0.39
Net charge-offs/average customer loans	N.M.	0.28	0.30	0.18	0.32
Gross nonperforming assets/customer loans + other real estate owned	5.29	5.62	4.92	5.08	4.90
Loan loss reserves/gross nonperforming assets	18.38	17.54	17.34	20.41	17.31

*Data as of June 30. RWA--Risk-weighted assets. N/A--Not applicable. N.M.--Not meaningful.

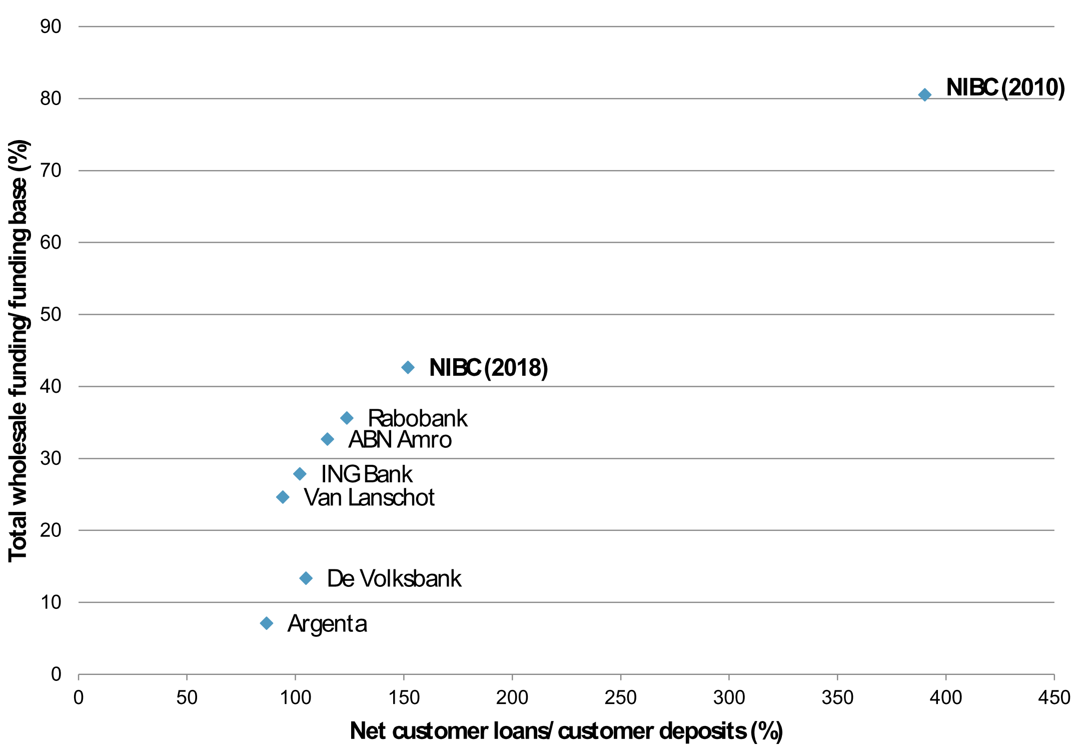
Funding and liquidity: Aligning to the Dutch industry average

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.

The increased proportion of retail deposits, which we expect to stay within the range of 55%-60% as a proportion of total funding, and its bias towards long-term wholesale funding all support NIBC's funding position, which we now consider more in line with Dutch peers and with the bank's asset profile. By our measures, customer deposits were about 58% of the funding base at year-end 2018, broadly stable over the past three years. 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.

Chart 5

NIBC's Funding Profile Better Reflects The Domestic Industry Average



*Data as of December 2018

While we tend to view online deposits as potentially more volatile than more relationship-based savings, we note the material share of term deposits (29% of the funding base at end-December 2018, slightly lower than 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% (108% at end-2018).]

We calculate NIBC's customer loan-to-deposit ratio was at 155% at December 2018.

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 Dec. 31, 2018, cash and balances at central banks totalled €2.1 billion. In addition, a debt securities portfolio of €788 million, comprised of highly rated bank and corporate bonds, is used to support liquidity. The bank states that on Dec. 31, 2018, its Basel III-required liquidity coverage and net stable funding ratios were at 241% and 123%, respectively. We expect our ratio of broad liquid assets to short-term wholesale funding to comfortably exceed 1x at end-2019.

Table 6

NIBC Holdings N.V. Funding And Liquidity

(%)	2019*	2018	2017	2016	2015
Core deposits/funding base	58.44	58.38	60.77	60.87	62.13
Customer loans (net)/customer deposits	154.54	151.88	147.57	144.67	139.43
Long-term funding ratio	95.92	93.16	91.19	98.45	96.23
Stable funding ratio	106.59	108.09	101.52	105.27	101.18
Short-term wholesale funding/funding base	4.50	7.54	9.80	1.70	4.12
Broad liquid assets/short-term wholesale funding (x)	2.34	1.94	1.24	5.95	1.90
Net broad liquid assets/short-term customer deposits	13.12	15.50	5.08	19.30	8.27
Short-term wholesale funding/total wholesale funding	10.57	17.67	24.32	4.34	10.88
Narrow liquid assets/3-month wholesale funding (x)	N/A	6.28	5.90	12.96	3.16

*Data as of June 30. N/A--Not applicable.

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 important bank in the Netherlands, which might be put into bankruptcy if regulators determined it to be nonviable. By contrast, the Single Resolution Board (SRB) has recently 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 Bank 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 April 2019, NIBC issued €300 million senior non-preferred, which we include in our measure of ALAC. As a result, we incorporated one notch of uplift into the long-term rating on NIBC Bank because its ALAC ratio is currently above our 5.5% threshold. We expect this to remain the case.

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 6). As such, we calculate that ALAC will be about 6.3% of S&P Global Ratings' RWAs at year-end 2019. We estimate this metric will be around the 6.8% mark at year-end 2021, in light of a controlled balance-sheet growth and increasing internal capital generation capacity.

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.

Related Criteria

- General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Hybrid Capital: Methodology And Assumptions, July 1, 2019.
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Bulletin: Dutch Bank NIBC Faces Swings In Regulatory Risk Weights But Maintains Medium-Term Capital Targets, June 28, 2019
- Dutch NIBC Bank Upgraded To 'BBB+' On Increasing Loss-Absorbing Capacity; Outlook Stable, May 14, 2019
- NIBC Bank Outlook Revised To Positive On Likely Loss-Absorption Buffer Pending Regulatory Clarity; 'BBB/A-2' Affirmed, Oct. 29, 2018

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 September 5, 2019)*

NIBC Bank N.V.	
Issuer Credit Rating	BBB+/Stable/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	
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
04-Nov-2014	BBB-/Stable/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.