



# Full Year Results 2017

Paulus de Wilt, CEO

Herman Dijkhuizen, CFO

Moving Ahead – 8 February 2018

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## Net profit for 2017 more than doubled to EUR 213m (FY 2016: EUR 104m)

- Return on Equity (ROE) nearly doubled to 11.9%<sup>1</sup> for the full year 2017, compared to 6.0% for the full year 2016
- Corporate client offering added substantial revenues from fee and investment income on the back of increased client activity
- Retail client offering realised strong growth in origination for own book as well as for third parties
- Cost/income ratio for the bank improved to 44%
- The full year 2017 was positively influenced by the sale of a German CRE legacy portfolio (EUR 53m)
- Solid solvency ratios, with the fully loaded CET 1 ratio increasing to 19.3% from 15.1%
- Both Fitch and S&P updated their rating for NIBC to 'BBB'
- NIBC proposes a second interim dividend of EUR 66m totalling EUR 96m (pay-out 45%)

# Strategy and Business Update

Paulus de Wilt  
Chief Executive Officer

## What we do

Focused mid-market corporate and retail client franchise, with differentiated approach

### Our business model

#### Corporate client offering

- Focus on mid-market corporate clients
- Focus on specific products across broad spectrum from advising, structuring, and financing to co-investing across debt and equity

EUR 10.0 bn client exposure<sup>1</sup>

Typical ticket size: EUR 10-50m

#### Retail client offering

- Mortgages ranging from owner-occupied to buy-to-let
- Focus on entrepreneurs and small businesses
- Online savings

EUR 9.1 bn client exposure<sup>1</sup>

Typical ticket size: EUR 100k-2.5m

### Key indicators

€2.1bn Total assets

€13m Net profit

11.9% ROE

+64% NPS<sup>2</sup>

44% Cost/income ratio<sup>1</sup>

### Our differentiated approach

- **Client oriented** franchise present at **clients' decisive moments**
- **No flow business**
- **No current accounts** offered and **no branch network**
- Focus on **profitable products in client-led (sub)sectors**
- **Corporate portfolio size** and **limited number of clients** allow **complete insight and overview**
- **Efficient, entrepreneurial** and **agile** culture, driven by **THINK YES** approach

Notes: Financials for NIBC Holding as of 2017, unless otherwise stated.

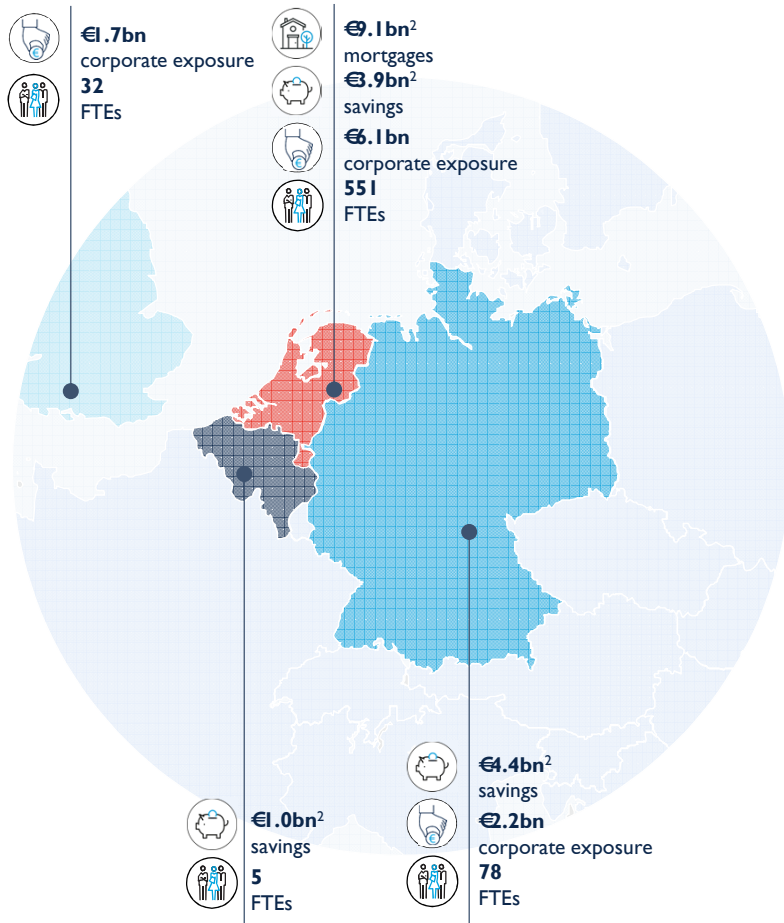
1: NIBC Bank as of 2017. Client exposure / portfolio includes drawn and undrawn.

2: Net Promoter Score (NPS) at year end 2017, measures the willingness of corporate customers to recommend a company's products or services to others based on speed, pricing, quality of advice and deep sector and financial knowledge.

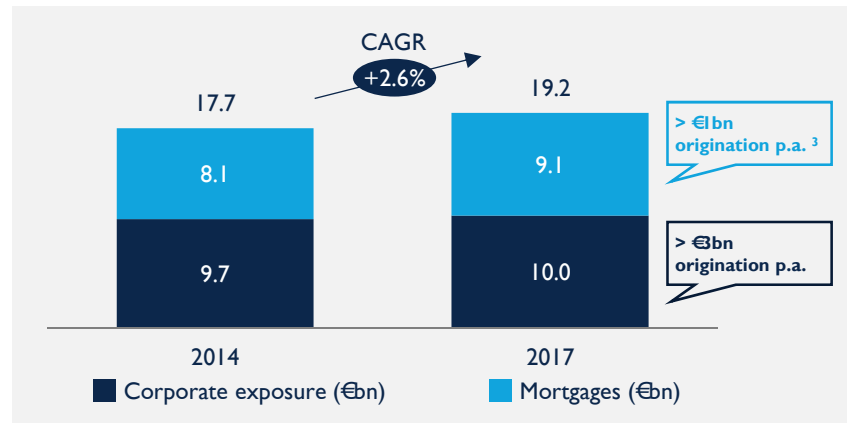
# Where are our clients

Dutch bank with growing client franchise focused on Northwestern European markets

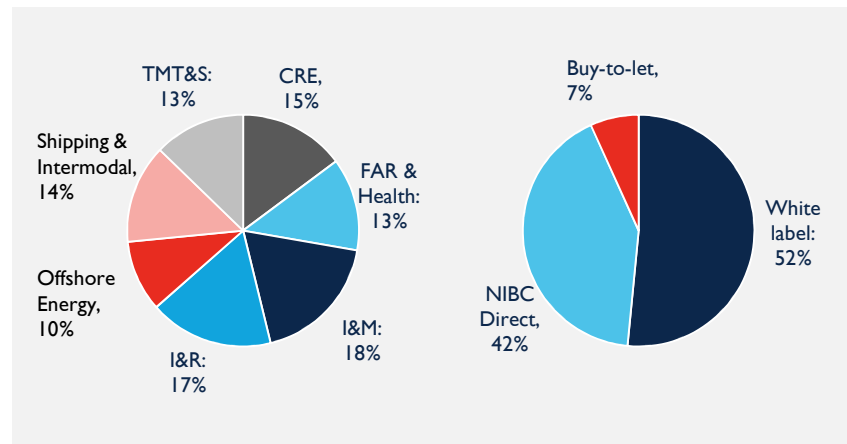
## Focus on Northwestern Europe<sup>1</sup>



## Growing and transforming client exposures



## Corporate<sup>4</sup> and Retail client exposure<sup>1</sup>

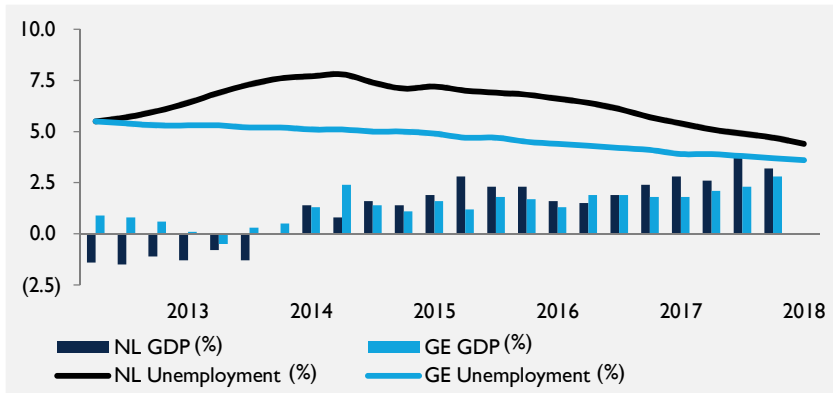




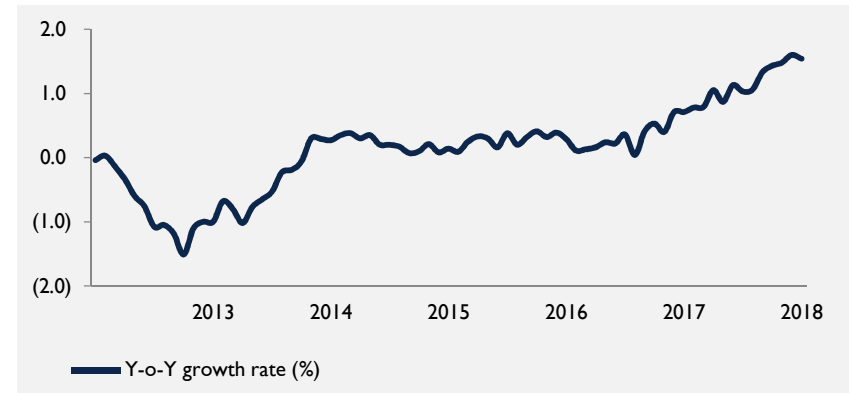
# The world around us

## Positive trends in all indicators

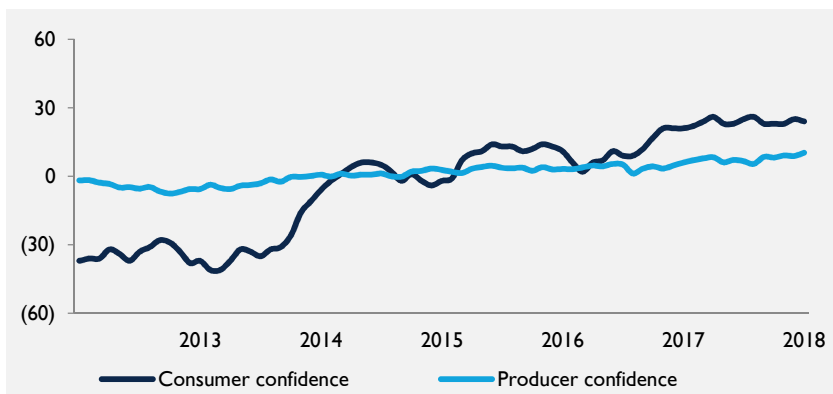
### Steady economic growth, declining unemployment in the Netherlands and Germany<sup>1</sup>



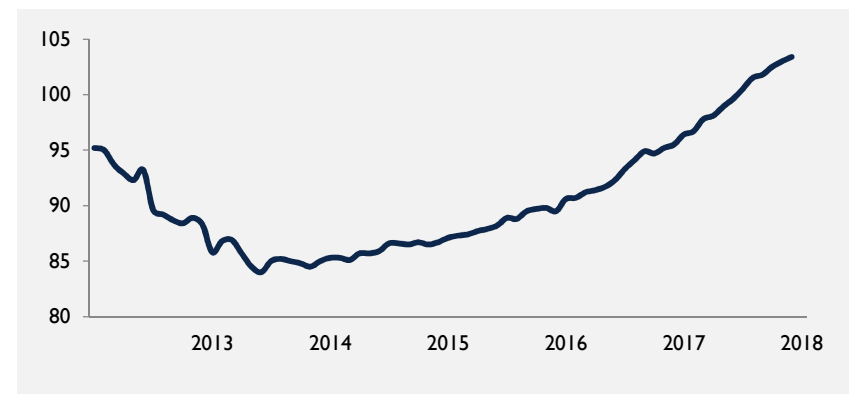
### Further improvement of business climate in Europe. Euro Area Business Climate Indicator<sup>2</sup>



### Consumer and producer sentiment improving in the Netherlands<sup>3</sup>



### Asset prices are rising across the board. Dutch House Price Index (2010 = 100)<sup>3</sup>



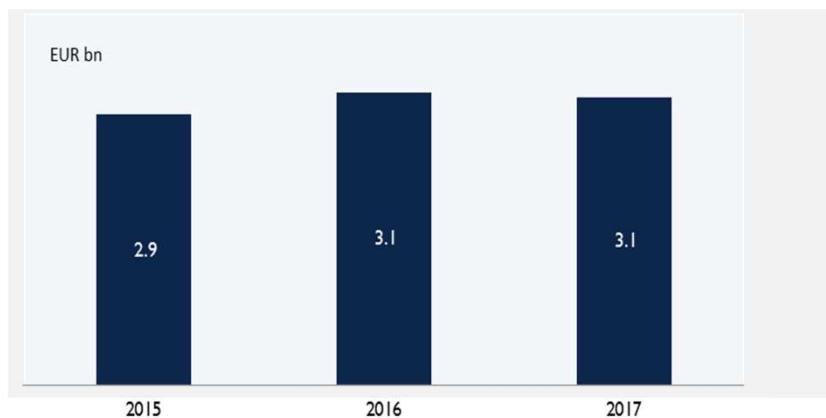
## Corporate client offering

Substantial revenues from fee and investment income on the back of increased client activity

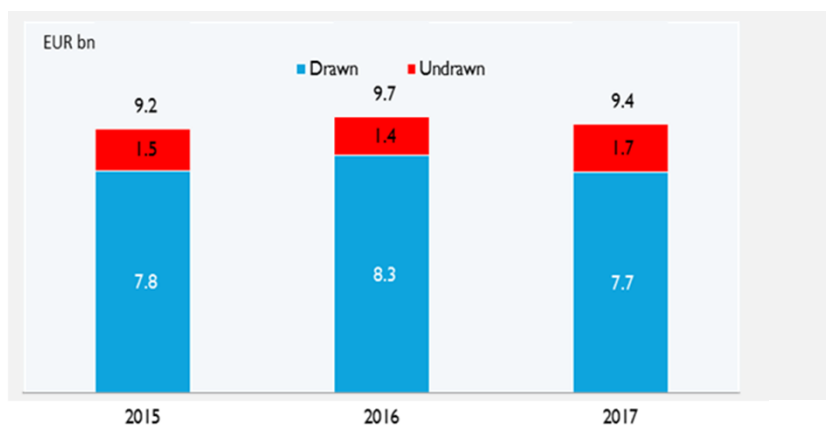
### Comments

- Well diversified corporate client exposure of EUR 10.0bn
  - EUR 9.4bn corporate loans
  - EUR 60m lease receivables (closed book)
  - EUR 220m investment loans
  - EUR 343m equity investments
- Continued high client satisfaction, evidenced by a strong Net Promotor Score (NPS) of +64%
- NIBC Markets acquisition allows us to service the full balance sheet of our corporate clients, offering a full suite of investment banking services
- NIBC's niche strategy is to focus on clients and transactions where we can really add value (selective origination), which contributes to higher origination and portfolio spreads
- Origination grew slightly compared to 2016 despite fierce competition and challenging market environment
- Relatively stable corporate loan book despite sale of legacy CRE (EUR 0.3bn) and adverse FX effects (EUR 0.4bn)

### Corporate loan origination



### Corporate loan book



Notes: Financials for NIBC Bank



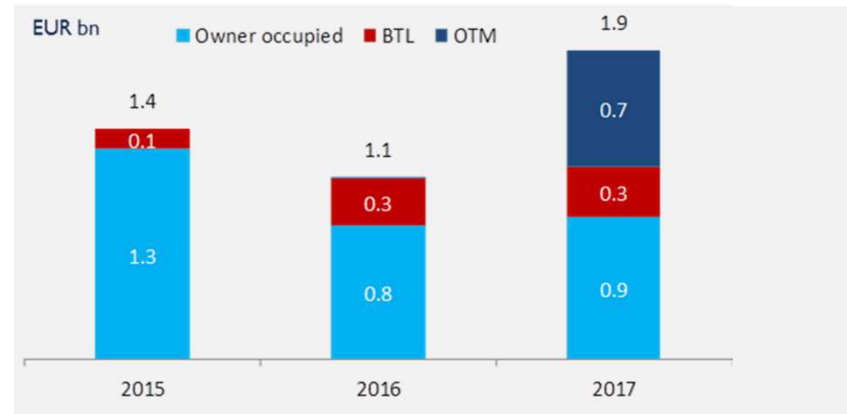
## Retail client offering

Strong growth in origination for own book as well as for third parties

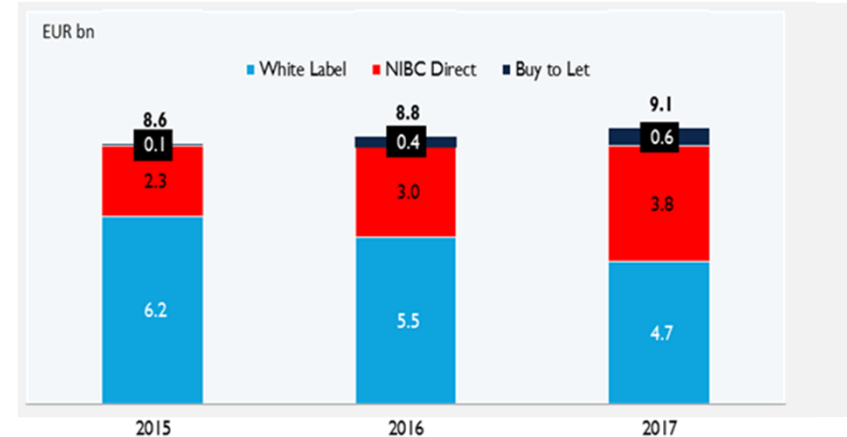
### Comments

- Total mortgage origination of EUR 1.9bn in 2017 excluding portfolio acquisition of 0.2bn, of which EUR 1.2bn for own book and EUR 0.7bn for Originate-to-Manage mandate
- Niche strategy focuses on mortgage segments where NIBC can offer added value: non-NHG and buy-to-let
- Strong growth of the BTL mortgage portfolio to a portfolio balance of EUR 617m
- Establishment of NIBC's 'originate-to-manage' mandate for owner occupied mortgages
  - fee generating initiative leading to income diversification
  - mandate increased to EUR 1.9bn
  - origination more than EUR 0.7bn in 2017
- Residential Dutch mortgage portfolio of EUR 220m acquired (per 1 July 2017)

### Mortgage origination



### Mortgage loan book



# Moving ahead

## Medium-term objectives

- We achieved all of our 2015-2017 targets and revitalise the bank and improve the profitability and resilience of the bank by focusing firmly on our clients and on the future
- Our new medium-term objectives, reflect our improved performance and our solid foundation for continued growth going forward
- For the coming period, we target:
  - sustainable ROE of 10-12%
  - cost/income ratio structurally below 45%
  - CET I ratio above 14%
  - dividend pay-out of at least 50% of net profit
  - long-term BBB+ credit rating

## Strategic alternatives

- Backed by our current shareholder, we commenced a review of our strategic alternatives, which may include an Initial Public Offering
- This process is ongoing and preparations are progressing well. A final decision will be made at a later date and be dependent upon market circumstances

# Financial Results 2017

Herman Dijkhuizen  
Chief Financial Officer

# Financial Results 2017

Net profit more than doubled to EUR 213m

## Comments

- Operating income<sup>1</sup> up 34% to EUR 512m:
  - strong growth fueled by client business
  - net interest income<sup>1</sup> up 20% to EUR 366m
  - strong increase in both fee and commission income and investment income
- Net profit growth pushes Return on Equity (ROE) of the bank from 5.4% FY 2016 to 10.8% in FY 2017 (8.4% excluding Vijlma)
- Following strong performance in FY 2017 and the solid capital position, we propose an additional second interim dividend of EUR 66m (HI 2017: EUR 31m)

## Income statement

in EUR millions	2017 incl. Vijlma	Vijlma	2017 excl. Vijlma	2017 vs 2016	2016
Net interest income	366	17	349	14%	306
Net fee and commission income	54	0	54	69%	32
Investment Income	67	0	67	116%	31
Net trading income	24	25	(1)	-108%	12
Other operating income	0	0	-	-	-
<b>Operating income</b>	<b>512</b>	<b>42</b>	<b>470</b>	<b>23%</b>	<b>381</b>
Personnel expenses	109	0	109	14%	96
Other operating expenses	95	0	95	23%	77
Depreciation and amortisation	5	0	5	-29%	7
Regulatory charges	14	0	14	-7%	15
<b>Operating Expenses</b>	<b>223</b>	<b>0</b>	<b>223</b>	<b>15%</b>	<b>194</b>
<b>Net operating income</b>	<b>289</b>	<b>42</b>	<b>247</b>	<b>32%</b>	<b>187</b>
Impairments of financial assets	34	-20	55	-4%	57
Tax	42	16	26	4%	25
<b>Profit after tax</b>	<b>213</b>	<b>47</b>	<b>166</b>	<b>60%</b>	<b>104</b>
Profit attributable to non-controlling interest	(3)	0	(3)	-	-
Special items (after tax)	-	0	-	-100%	(2)
<b>Net profit attributable to shareholder of NIBC Bank</b>	<b>210</b>	<b>47</b>	<b>163</b>	<b>60%</b>	<b>102</b>
Holding items	3	6	(3)		2
<b>Net profit attributable to shareholders of NIBC Holding</b>	<b>213</b>	<b>53</b>	<b>160</b>	<b>54%</b>	<b>104</b>

Note: Financials for NIBC Bank, unless otherwise stated.

1: Includes net result deriving from "Vijlma", a specific German commercial real estate legacy exposure of which the underlying assets (investment property) were sold in 2017 and for which the final settlement will take place in 2018

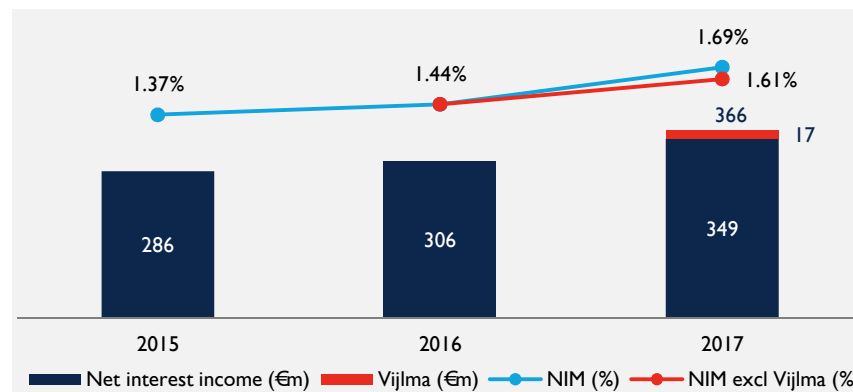
# Operating income

Driven by growth of client business

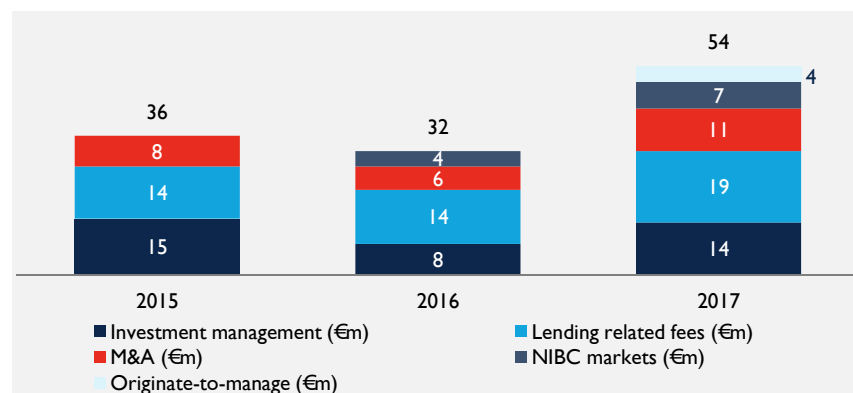
## Comments

- Increase of operating income of +34% (23% excluding Vijlma) 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 to 1.69% (1.61% excluding Vijlma) in 2017 from 1.44% in 2016
- Net fee and commission income improved by 69%, driven by higher lending-related, M&A and investment management fees as well as EUR 7m from NIBC Markets

## Net interest income and net interest margin



## Net fee and commission income



Note: Financials for NIBC Bank

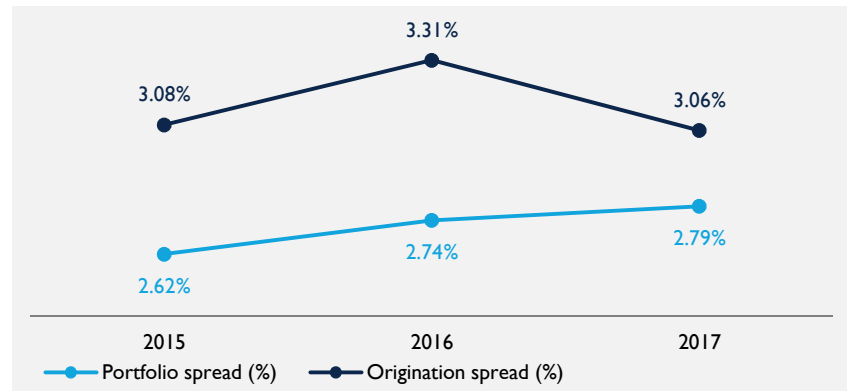
# Operating income

Driven by improved spreads

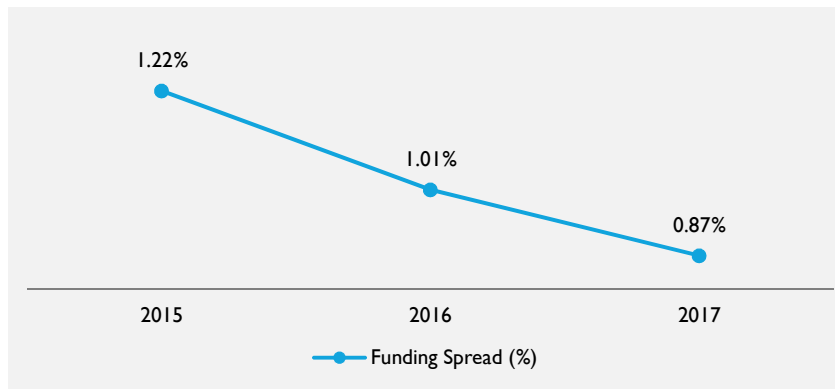
## Comments

- Our average spread on the corporate loan portfolio continued to improve, albeit at a slower pace compared to previous years
- Our funding profile combined with, on average, significant lower funding costs, contributed significantly to the increase of net interest income in 2017

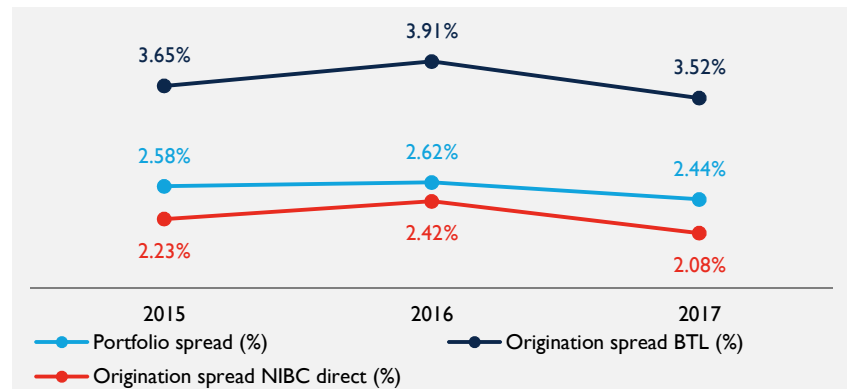
## Corporate loan portfolio spreads



## Funding spread



## Retail assets spreads



Note: Financials for NIBC Bank

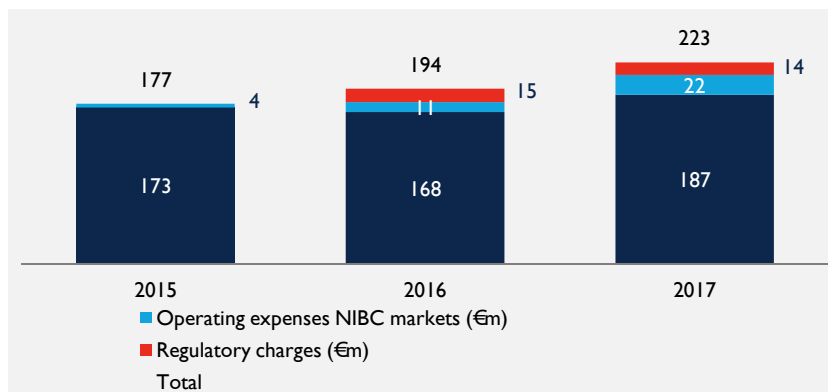
# Operating expenses

Despite investments cost/income further down

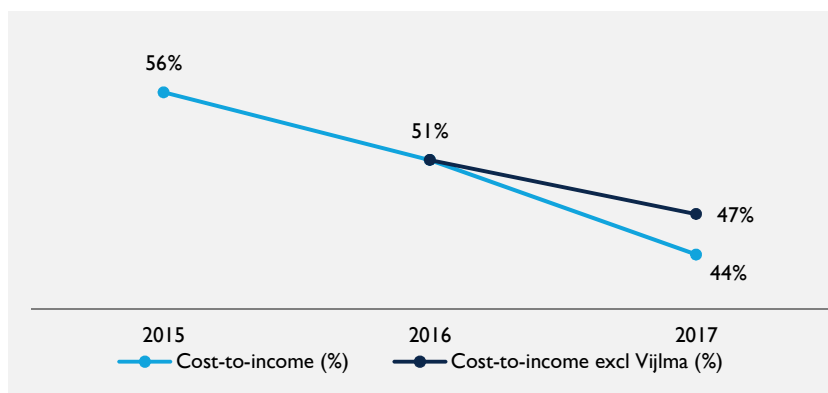
## Comments

- The increase in operating expenses (+15%) is amongst others driven by:
  - integration of NIBC markets
  - cost related to strategic projects
  - increase in IT and regulatory projects
- With the exception of the items explained above, operating expenses remained relatively stable in 2017 compared to 2016
- On the back of higher operating income our cost/income ratio further decreased from 51% in 2016 to 44% in 2017 (47% excluding Vijlma)

## Evolution of total expenses



## Cost-to-income ratio



Note: Financials for NIBC Bank



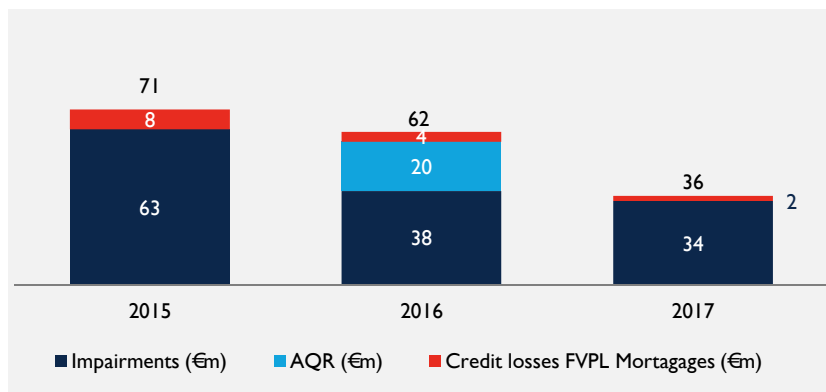
# Impairments and cost-of-risk

All key indicators show a positive trend

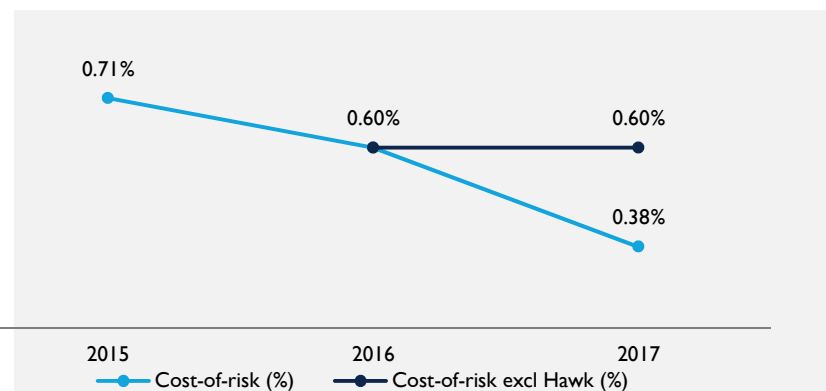
## Comments

- Loan impairments in FY 2017 are limited to EUR 34m, a decrease of 11% compared to FY 2016 (excluding AQR)
- In 2017 the NPL ratio reduced to 2.5% (from 3.8% FY 2016), the cost-of-risk decreased from 60bps to 38bps (60bps excluding Vijlma)
- Impairment ratio decreased from 34bps to 20bps

## Impairments and credit losses<sup>1</sup>



## Cost-of-risk<sup>2</sup>



# Funding

## Building public funding curves in all segments of the capital markets

### Successful senior unsecured issuance

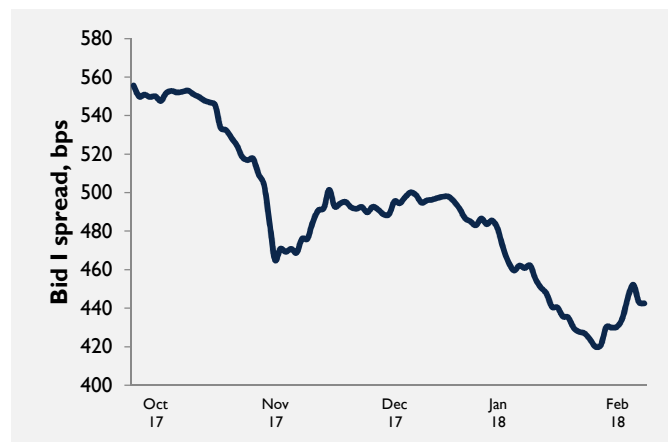
In January 2017, NIBC issued its EUR 500m senior unsecured bond due 2022, with almost 2.5x oversubscription

Type	Size (m)	Original maturity	Spread (coupon)	Maturity date
ATI	EUR 200	PERP (NC 7yrs)	m/s+5.56% (6.00%)	PERP (NC 7yrs)
Senior unsecured	EUR 500	5yrs	m/s+1.40% (1.50%)	31-01-2022
Senior unsecured	EUR 500	3.5yrs	m/s+2.35% (2.25%)	24-09-2019
Senior unsecured	EUR 500	3.5yrs	m/s+1.85% (2.00%)	26-07-2018
Covered bond	EUR 500	10yrs	m/s+0.05% (1.00%)	24-01-2028
Covered bond	EUR 500	10yrs	m/s+0.17% (0.63%)	01-06-2026
Covered bond	EUR 500	7yrs	m/s+0.01% (0.25%)	22-04-2022
Covered bond	EUR 500	5yrs	m/s+0.33% (1.25%)	08-04-2019
Covered bond	EUR 500	5yrs	m/s+0.50% (1.75%)	08-10-2018

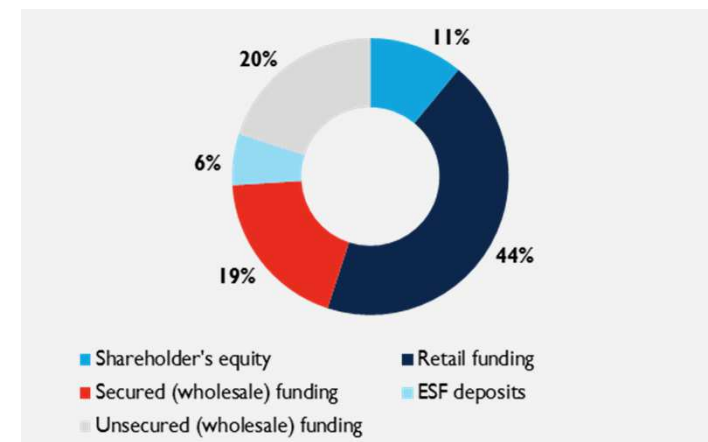
### Successful ATI issuance

In September 2017, NIBC priced its EUR 200m perp NC7 ATI transaction with a coupon of 6.00% and a final order book that was 7x oversubscribed

### NIBC ATI credit spread performance<sup>1</sup>



### Solid and diversified funding base<sup>1</sup>



# NIBC Holding

Net profit more than doubled

## Key figures

EUR m	FY 2017		FY 2016
	Incl Vijlma	Excl Vijlma	
Return on equity	11.9%	8.9%	6.0%
Net interest margin	1.60%	1.64%	1.47%
Cost-to-income ratio	42%	48%	51%
Risk weighted assets	8,584		9,930
Cost-of-risk	0.62%	0.61%	0.73%
Loan to deposit ratio	148%		145%
Asset encumbrance ratio	26%		29%
<b>Fully loaded solvency ratios</b>			
CET1 ratio	19.3%		15.1%
BIS ratio	22.2%		18.0%
<b>Liquidity ratios</b>			
LCR	196%		124%
NSFR	117%		112%
Number of FTEs	689		716

## Financial results FY 2017

- Net profit including Vijlma in FY 2017 of NIBC Holding is EUR 3m above that of NIBC Bank mainly due to a difference in accounting treatment between Bank and Holding
- Profitability strongly improved in FY 2017, with both net profit and return on equity displaying substantial growth

## Holding: profit and return on equity



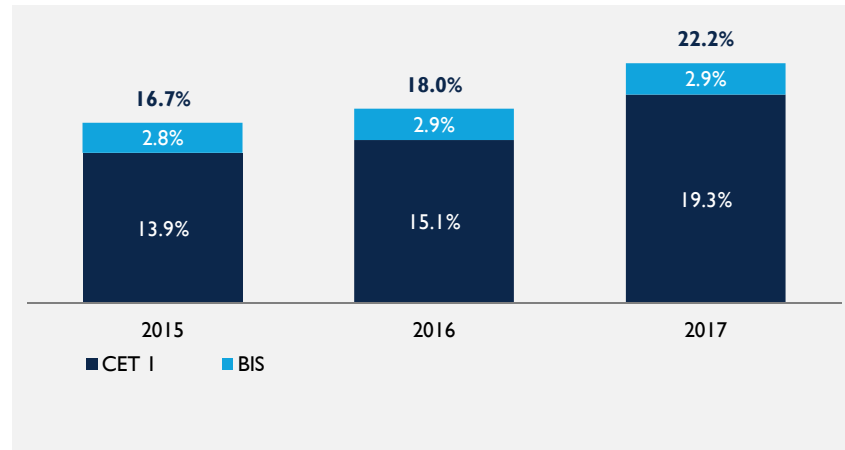
Note: Financials for NIBC Holding, unless otherwise stated.

# NIBC Holding: capital & liquidity

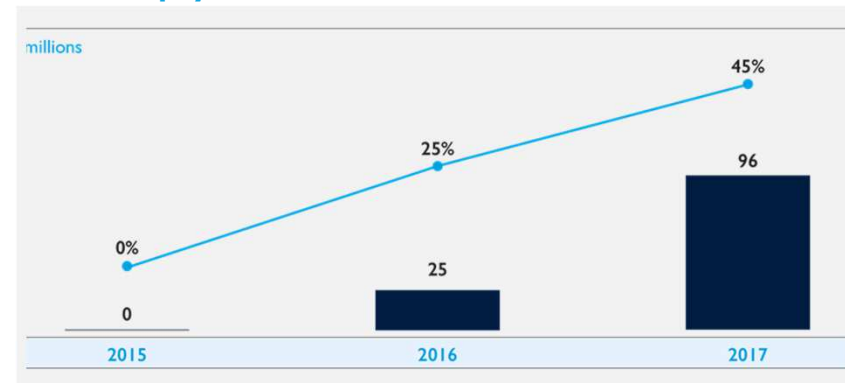
## Comments

- Fully-loaded CET1 ratio of 19.3% and BIS ratio of 22.2%
- A second interim dividend pay-out of EUR 66m in addition to the interim dividend of EUR 31m already paid out based on the H1 2017 performance
  - EUR 0.66/share for FY 2017 (EUR 0.17/share for FY 2016) which amounts to a pay-out ratio of 45% for NIBC Holding (25% FY 2016)

## Holding: solvency ratios



## Dividend pay-out



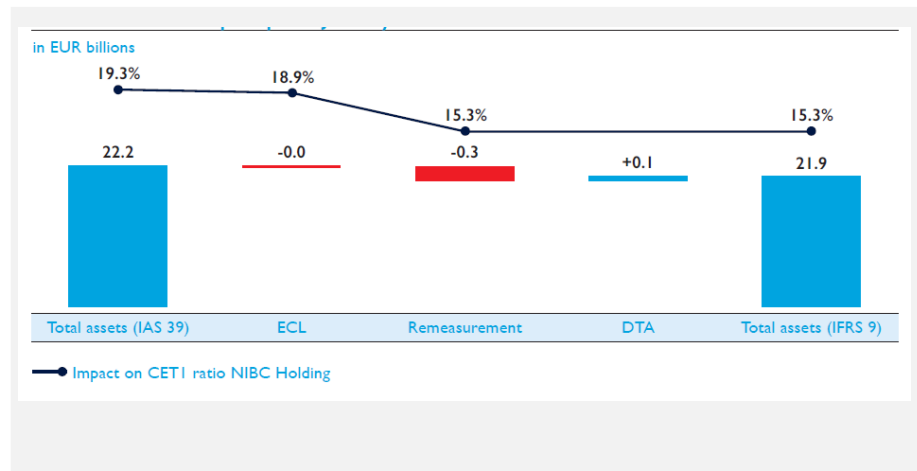
# Development Capital

Illustrative impact of regulatory development on CET I capital position

## Comments

- The transition to IFRS 9 results in an overall negative impact of approximately 4%-points on our CET I ratio, mainly driven by the reclassification of part of our mortgages book to amortised cost, as per 1 January
- On the regulatory front, more clarity was obtained on Basel IV; though we cannot be sure yet of the exact translation of the new Basel Accord into local legislation, we expect that we can manage the effects and will remain solidly capitalised above our desired levels

## IFRS 9 transition impact per 1 January 2018



## Revised medium-term objectives

Fueled by strong performance

Metrics	Previous objectives as of HI 2017	Revised medium-term objectives <sup>2</sup>	
<b>Return on Equity</b> <i>(Holding)</i>	>10%	10 - 12%	▪ Sustainable 10%+ return on equity
<b>Cost-to-income<sup>1</sup></b> <i>(Bank)</i>	<50%	<45%	▪ Cost-to-income ratio structurally below 45%
<b>CETI</b> <i>(Holding)</i>	>14%	>14%	▪ Robust capital with CETI ratio above 14%, based on current regulation
<b>Dividend pay-out</b> <i>(Holding)</i>	n.a.	>50%	▪ Dividend pay-out ratio of at least 50% of net profit
<b>Rating</b> <i>(Bank)</i>	BBB+	BBB+	▪ Improve from current BBB to BBB+



Q&A

Moving Ahead  
8 February 2018