CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT 2017 NIBC HOLDING N.V.

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CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT NIBC HOLDING N.V.

CONDENSED CONSOLIDATED INCOME STATEMENT

in EUR millions	Note	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Net interest income	2	167	142
Net fee and commission income	3	20	11
Investment income	4	27	-
Net trading income	5	68	3
Other operating income	6	-	26
Operating income		**282**	**182**
Personnel expenses and share-based payments	7	55	44
Other operating expenses	8	41	39
Depreciation and amortisation		3	4
Regulatory charges	9	9	9
Operating expenses		**108**	**96**
Impairments of financial assets	10	33	34
Impairments of non-financial assets	10	-	3
Total expenses		**141**	**133**
Profit before tax		**141**	**49**
Tax	11	34	5
Profit after tax		**107**	**44**
Result attributable to non-controlling interests		-	-
Net profit attributable to parent shareholder		**107**	**44**

References relate to the accompanying notes. These form an integral part of the condensed consolidated interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the period ended 30-Jun-17			For the period ended 30-Jun-16		
in EUR millions	Before tax	Tax charge/ (credit)	After tax	Before tax	Tax charge/ (credit)	After tax
Profit for the period	**141**	**34**	**107**	**49**	**5**	**44**
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Revaluation of property, plant and equipment	-	-	-	-	-	-
Revaluation of own credit risk	(19)	(5)	(14)	-	-	-
Items that may be reclassified subsequently to profit or loss						
Net result on hedging instruments	(17)	(4)	(13)	20	5	15
Available-for-sale financial assets:						
Revaluation of loans and receivables	-	-	-	-	-	-
Revaluation of equity investments	3	1	2	(4)	(1)	(3)
Revaluation of debt investments	6	1	5	(6)	(1)	(5)
Total other comprehensive income	**(27)**	**(7)**	**(20)**	**10**	**3**	**7**
Total comprehensive income	**114**	**27**	**87**	**59**	**8**	**51**
Total comprehensive income attributable to						
Parent shareholder	114	27	87	56	8	48
Non-controlling interests	-	-	-	3	-	3
Total comprehensive income	**114**	**27**	**87**	**59**	**8**	**51**

CONSOLIDATED BALANCE SHEET

in EUR millions	Note	30-Jun-2017	31-Dec-2016
Assets			
Financial assets at amortised cost			
Cash and balances with central banks		1,790	918
Due from other banks		1,609	1,468
Loans and receivables			
Loans	12	7,596	7,844
Residential mortgages own book	13	3,977	3,346
Debt investments	14	95	287
Financial assets available-for-sale			
Equity investments		41	41
Debt investments	15	874	1,028
Financial assets at fair value through profit or loss (including trading)			
Loans	16	195	210
Residential mortgages own book	17	4,345	4,124
Securitised residential mortgages	18	941	1,550
Equity investments (including investments in associates)		223	204
Debt investments	19	50	60
Derivative financial assets		1,499	1,811
Other			
Investments in associates (equity method)		8	7
Intangible assets		3	3
Property, plant and equipment		49	50
Investment property	20	222	271
Deferred tax		32	46
Other assets		89	227
			-
Total assets		**23,638**	**23,495**

in EUR millions	Note	30-Jun-2017	31-Dec-2016
Liabilities and equity			
Financial liabilities at amortised cost			
Due to other banks		1,828	1,290
Deposits from customers		11,921	11,802
Own debt securities in issue	21	4,532	3,855
Debt securities in issue related to securitised mortgages and lease receivables	22	759	1,337
Financial liabilities at fair value through profit or loss (including trading)			
Borrowings	23	18	49
Own debt securities in issue	24	37	37
Debt securities in issue structured	25	613	620
Derivative financial liabilities		1,499	2,006
Other			
Other liabilities		147	275
Current tax		8	-
Deferred tax		5	3
Employee benefits		3	3
Subordinated liabilities			
Amortised cost	26	117	122
Fair value through profit or loss	27	270	276
Total liabilities		**21,757**	**21,675**
Shareholders' equity			
Share capital	28	1,408	1,408
Other reserves		657	678
Retained earnings		(294)	(373)
Net profit attributable to parent shareholders		107	104
Interim and final dividend paid		-	-
Total parent shareholders' equity		**1,878**	**1,817**
Non-controlling interests		3	3
Total shareholders' equity		**1,881**	**1,820**
Total liabilities and shareholders' equity		**23,638**	**23,495**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in EUR millions	Attributable to parent shareholders							
	Share capital	Other reserves[1]	Retained earnings	Net profit	Distribution charged to net profit	Total	Non-controlling interests	Total shareholders' equity
Balance at 1 January 2017	**1,408**	**678**	**(373)**	**104**	**-**	**1,817**	**3**	**1,820**
Transfer of net profit 2016 to retained earnings	-	-	104	(104)	-	-	-	-
Total comprehensive income for the period ended 31 December 2016	-	(20)	-	107	-	87	-	87
Other	-	(1)	-	-	-	(1)	-	(1)
Final dividend paid 2016	-	-	(25)	-	-	(25)	-	(25)
Balance at 30 June 2017	**1,408**	**657**	**(294)**	**107**	**-**	**1,878**	**3**	**1,881**

1 Other reserves include share premium, hedging reserve and revaluation reserves.

in EUR millions	Attributable to parent shareholders							
	Share capital	Other reserves[1]	Retained earnings	Net profit	Distribution charged to net profit	Total	Non-controlling interests	Total shareholders' equity
Balance at 1 January 2016	**1,408**	**585**	**(328)**	**70**	**-**	**1,735**	**-**	**1,735**
Transfer of net profit 2015 to retained earnings	-	-	70	(70)	-	-	-	-
Total comprehensive income for the period ended 30 June 2016	-	7	-	44	-	51	3	54
Balance at 30 June 2016	**1,408**	**592**	**(258)**	**44**	**-**	**1,786**	**3**	**1,789**

1 Other reserves include share premium, hedging reserve and revaluation reserves.

Available Distributable Amount

in EUR millions	For the period ended 30-Jun-2017
Shareholders'equity (excluding non-controlling interests)	1,878
Share capital	(148)
Legal reserves	
In retained earnings	(384)
Revaluation reserves	(47)
	(431)
Available Distributable Amount	**1,299**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Cash flows from operating activities[1]	781	(288)
Cash flows from investing activities	(27)	(4)
Cash flows from financing activities	50	832
Cash flows from operating activities	**804**	**540**
Cash and cash equivalents at 1 January	**1,213**	**1,744**
Net changes in cash and cash equivalents	804	540
Cash and cash equivalents at 30 June	**2,017**	**1,784**
Reconciliation of cash and cash equivalents:[2]		
Cash and balances with central banks (maturity three months or less)	1,635	1,269
Due from other banks (maturity three months or less)	382	515
	2,017	**1,784**

1 Includes all assets excluding derivatives, intangible assets and current tax and includes all liabilities excluding derivatives.
2 The difference between the cash and cash equivalents as included in the previous table and the cash and balances with central banks as included in the interim consolidated balance sheet represents cash and cash equivalents not receivable on demand and cash collateral placements posted under CSA agreements.

ACCOUNTING POLICIES

Corporate information

NIBC Holding N.V., together with its subsidiaries (NIBC Holding or the Group), is incorporated and domiciled in the Netherlands.

NIBC Holding serves as direct or indirect holding company for NIBC Holding's subsidiaries.

NIBC Holding is an enterprising bank offering corporate and retail client services. Our Corporate client activities offer corporate finance & capital markets, financing and investing in a number of chosen sectors: Food, Agri, Retail & Health; Commercial Real Estate; Industries & Manufacturing; Infrastructure & Renewables; Oil & Gas Services; Shipping & Intermodal; and Telecom, Media, Technology & Services. Our expertise spans debt and equity mezzanine, mergers & acquisitions, capitalisation advisory, leveraged finance, structured finance, capital market solutions, equity and fixed income brokerage and research and execution services for independent asset managers. Retail client activities offer savings in the Netherlands, Germany and Belgium, mortgages in the Netherlands and brokerage services in Germany under our NIBC Direct label.

Headquartered in The Hague, NIBC Holding also has offices in Frankfurt, Amsterdam, London and Brussels.

Basis of preparation

The condensed consolidated interim financial report for the period ended 30 June 2017 has been prepared in accordance with IAS 34 'Interim Financial Reporting'.

This condensed consolidated interim financial report was approved by the Managing Board on 22 August 2017 and is published including a review report by the external auditor.

This condensed consolidated interim financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with NIBC Holding's consolidated financial statements for the year ended 31 December 2016, which were prepared in accordance with the *International Financial Reporting Standards* as adopted by the *European Union* (together **IFRS-EU**).

The accounting policies used in this condensed consolidated interim financial report is consistent with those set out in the notes to the 2016 consolidated financial statements of NIBC Holding, except for the changes in accounting policies described below. NIBC Holding's consolidated financial statements for 2016 is available on NIBC Holding's website.

Where considered necessary comparative figures have been adjusted to conform to changes in presentation in the current year. Unless otherwise stated, all amounts are stated in millions of EUR.

Certain amounts recorded in the condensed consolidated interim financial information reflect estimates and assumptions made by management. Actual results may differ from the estimates made. Interim results are not necessarily indicative of full-year results.

Changes in IFRS-EU effective in the first half year of 2017

No new or revised standards, interpretations and amendments became effective in the first half year of 2017.

Upcoming changes in IFRS-EU after the first half year of 2017

New and/or amended standards not yet effective

The following standards have been issued by the International Accounting Standards Board (IASB), but are not yet effective for the condensed consolidated interim financial report. These standards are endorsed by the European Union and are open for early adoption.

- IFRS 9 'Financial instruments': As from 1 January 2018, the current IFRS standard for financial instruments (IAS 39) will be replaced by IFRS 9. Changes relate to three main topics: classification and measurement of financial instruments, impairment of financial assets and hedge accounting. As from 1 January 2016, NIBC Holding has already early applied the own credit requirements introduced by IFRS 9 in isolation. The own credit requirements involves that changes in the fair value of the financial liabilities designated as at FVTPL that is attributable to changes in credit risk are recognised in Other Comprehensive Income (OCI)[1].

Classification and measurement of financial instruments

In the first half year of 2017, the business model blueprint has been finalised, which is used to determine the basis for classification under IFRS 9. Following the determination of business models, transactions to be recognised at amortised cost are reviewed to ensure the contractual cash flow characteristics meet the requirement to solely consist of payments of principal and interest (SPPI). The SPPI test has been set up. Currently, the detailed analysis of the cash flow characteristics of all relevant financial assets is being finalised. The business model selection and SPPI test are performed on groups of assets that have a set of similar characteristics resulting in a homogenous population. The focus in the second half year of 2017 will be finalising the SPPI tests and implementing the governance to embed the changes brought by IFRS 9 into everyday business and the financial reporting cycle to ensure ongoing compliance.

Impact

Except for the anticipated reclassification effect of residential mortgages designated at FVtPL to amortised cost, NIBC Holding estimates a limited impact on equity of changes in classifications. The anticipated reclassification effect of residential mortgages designated at FVtPL to amortised cost is the result of revoking the previous fair value designation. The magnitude of the effect of a reclassification of residential mortgages classified at FVtPL to AC will depend, amongst others, on market circumstances at the moment of initial application. The impact is primarily driven by market interest rates as these have a material impact on the fair value of the portfolio. Based on the current book value of the residential mortgages designated at FVtPL, the reclassification effect is expected to be significant. Actual impact on transition date will depend on developments in market circumstances.

The reclassification effect on regulatory capital will be significant, however, it will lead to a CET 1 ratio above both our current SREP level requirements.

Impairment of financial assets

Key decisions with respect to staging triggers and incorporation of forward looking information to measure expected credit losses (ECL) remain as described in NIBC Holding's Annual report 2016. The implementation of these key decisions into ECL models and risk management processes is ongoing. In the first half year of 2017, different ECL models have been built, which are currently further developed and tested. In the second half year of 2017, risk and finance processes and systems will be adjusted to support the required ECL-calculations, administrative processing and reporting.

Impact

Based on current ECL test results, NIBC Holding estimates a moderate, but not significant, increase in the total level of impairment allowance. In addition, a more volatile impairment charge is expected on the back of macroeconomic predictions.

1 Given the limited effect of the early application of IFRS 9 Own Credit Requirements on the results for the period ended 30 June 2016, the comparative figures for this period have not been adjusted to reflect the early application.

With the introduction of IFRS 9, NIBC Holding will cease to report incurred but not reported (IBNR) impairment losses, partially offsetting the estimated impact of the ECL impairment allowances.

Hedge accounting

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 even when other elements of IFRS 9 become mandatory on 1 January 2018. NIBC Holding decided to continue applying IAS 39 for hedge accounting including the application of the EU carve out.

Reporting

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of NIBC Holding's disclosures about its financial instruments particularly in the year of the application of the new standard.

In the second half year of 2017, a parallel process will be implemented to provide IFRS 9 based figures which are analysed on an ongoing bases.

- IFRS 15 'Revenue'; IFRS 15 'Revenue from Contracts with Customers' (IFRS 15) becomes effective as of 2018. IFRS 15 provides more specific guidance on recognising revenue on other than insurance contracts and financial instruments. NIBC Holding does not expect IFRS 15 to have a significant impact.

New and / or amended standards not yet endorsed

The following new or revised standards and amendments have been issued by the IASB, but are not yet endorsed by the European Union and are therefore not open for early adoption.

Note that only the amendments to IFRSs that are relevant for NIBC Holding are presented below.

- IFRS 16 'Leases': IFRS 16 'Leases' (IFRS 16) becomes effective as of 2019, subject to endorsement by the EU. IFRS 16 requires lessees to recognise most leases on their balance sheets. NIBC Holding does not expect IFRS 16 to have a significant impact on the consolidated financial statements.
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments: The IFRS IC developed IFRIC 23 to address how to reflect uncertainty in accounting for income taxes. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. NIBC Holding is currently evaluating the impact.
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7: Disclosure Initiative
- Clarifications to IFRS 15: Revenue from Contracts with Customers
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment TransactionsAnnual Improvements to IFRS Standards 2014-2016 CycleIFRIC Interpretation 22 Foreign Currency Transactions and Advance ConsiderationAmendments to IAS 40: Transfers of Investment property
- Other amendments: For further information on other amendments, reference is made to section 'Accounting policies, Upcoming changes after 2016, New and/or amended standards not yet endorsed' in the 2016 consolidated financial statements of NIBC Holding. NIBC Holding is currently assessing the impact of these amendments.

NOTES TO THE (CONDENSED) CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Segment report

Segment information is presented in these consolidated financial statements on the same basis as used for internal management reporting within NIBC Holding. Segment reporting puts forth a presentation of the segment results based on management reporting methods and a reconciliation between the results of the operating segments and the consolidated financial statements. The Managing Board is the Group's chief operating decision-maker.

Operating segments

Taking into account the changes, the operating segments are as follows:

Corporate client offering

Corporate client offering provides advice and debt, mezzanine and equity financing solutions to mid-sized companies and entrepreneurs in the Netherlands, Germany and the UK. Sectors in which we are active include Commercial Real Estate, Food, Agriculture, Retail & Health, Industries & Manufacturing, Infrastructure & Renewables, Telecom, Media, Technology & Services. Furthermore, we are active in two global sectors in which we have longstanding expertise: Oil & Gas Services and Shipping & Intermodal. This segment also includes NIBC Markets.

Retail client offering

Retail client offering offers savings products and mortgages to consumers who are seeking to actively manage their financial ambitions. Savings products are offered in the Netherlands, Germany and Belgium, and mortgages are offered in the Netherlands. We also offer brokerage services in Germany under our label 'NIBC Direct.'

Treasury and Group Functions

Treasury and Group Functions includes the bank's treasury function, asset and liability management, risk management and the bank's Corporate Centre which includes HR & Corporate Communications, Internal Audit, Legal & Compliance, Sustainability, Operations & Facilities, Technology, and Finance, Tax & Strategy. A substantial part of the operating expenses as well as the full time equivalents of Group Functions are allocated to corporate and retail client offering.

No operating segments have been aggregated to form the above-mentioned segments. Transfer prices between operating segments are at an arm's length basis in a manner similar to transactions with third parties.

Certain financial assets and liabilities are not allocated to corporate and retail Banking as they are managed on a group basis. These financial assets and liabilities are held within the segment Treasury and Group Functions and mainly comprise cash, debt investments, derivative assets and liabilities as well as majority of the bank's funding. As the assets of corporate and retail client offering are largely funded internally with transfer pricing, majority of the bank's external funding is held within Treasury and Group Functions.

Inter-segment income and expenses are eliminated on consolidation level.

Reconciliation with consolidated income statement

The accounting policies of the segments are the same as those described in our Accounting Policies section, with the exception of the following adjustment.

Special items: The gains and losses that do not arise in the ordinary course of business have been excluded as 'special items.' In H1 2016, these mainly include the badwill from acquisition of NIBC Markets of EUR 22 million and a EUR 18 million credit loss on resolving pre-crisis retail exposure. There were no special items reported in H1 2017.

NIBC Holding operates in four geographical locations namely the Netherlands, Germany, the UK and Belgium. The income and expenses incurred at each location are provided.

The following table presents the Segment report comprising of a summary of our internal management report and the reconciliation to the consolidated results under IFRS for the period ended 30 June 2017 and 31 December 2016.

	For the period ended 30 June 2017							
in EUR millions	Corporate clients	Retail clients	Treasury & Group functions	Internal management report	Reconciliation	Total (consolidated financial statements)	Holding items	NIBC Holding (consolidated financial statements)
Net interest income	99	63	15	177	-	177	(10)	167
Net fee and commission income	19	1	-	20	-	20	-	20
Investment income	26	-	-	27	-	27	-	27
Net trading income	7	(5)	-	2	-	2	66	68
Other operating income	-	-	-	-	-	-	-	-
Operating income	**151**	**60**	**15**	**226**	**-**	**226**	**56**	**282**
Regulatory charges	-	5	4	9	-	9	-	9
Other operating expenses	56	23	17	96	-	96	3	99
Operating expenses	**56**	**28**	**21**	**105**	**-**	**105**	**3**	**108**
Impairments of financial assets	12	-	-	12	-	12	21	33
Profit before tax	**83**	**33**	**(6)**	**110**	**-**	**110**	**32**	**141**
Tax	15	8	(1)	22	-	22	12	34
Profit after tax	**68**	**25**	**(5)**	**87**	**-**	**87**	**20**	**107**
Result attributable to non-controlling interests	-	-	-	-	-	-	-	-
Net profit before special items	**68**	**25**	**(5)**	**87**	**-**	**87**	**19**	**107**
Special items net of tax	-	-	-	-	-	-	-	-
Net profit attributable to parent shareholders	**68**	**25**	**(5)**	**87**		**87**	**19**	**107**
Total FTEs	478	121	74	673	-	673	18	692
EC Usage (start of the year)	1,154	363	139	1,656		1,656		1,656
Available capital (start of the year)				1,966		1,966		1,814
ROE (SBU based on EC Usage)	11.7%	13.5%	-7.0%	10.6%		10.6%		12.9%
ROE (on available capital)				8.9%		8.9%		11.8%
Cost Income ratio	37%	46%		46%		46%		38%

	For the period ended 30 June 2016							
in EUR millions	Corporate clients	Retail clients	Treasury & Group functions	Internal management report	Reconciliation	Total (consolidated financial statements)	Holding items	NIBC Holding (consolidated financial statements)
Net interest income	77	58	15	149	-	149	(7)	142
Net fee and commission income	11	-	-	11	-	11	-	11
Investment income	9	-	(1)	9	(8)	1	-	-
Net trading income	(1)	(2)	(1)	(4)	-	(4)	7	3
Other operating income	-	-	1	-	22	22	4	26
Operating income	**96**	**56**	**13**	**165**	**14**	**179**	**3**	**182**
Regulatory Charges	-	5	5	9	-	9	-	9
Other operating expenses	50	22	12	84	-	84	3	87
Operating expenses	**50**	**27**	**17**	**93**	**-**	**93**	**3**	**96**
Impairments of financial assets	22	-	-	22	15	37	-	37
Profit before tax	**24**	**29**	**(4)**	**50**	**(1)**	**49**	**-**	**49**
Tax	3	7	(1)	10	(5)	5	-	5
Profit after tax	**21**	**22**	**(3)**	**40**	**4**	**44**	**-**	**44**
Result attributable to non-controlling interests	-	-	-	-	-	-	-	-
Net profit before special items	21	22	(3)	40	4	44	-	44
Special items net of tax	(18)	-	22	4		-	-	-
Net profit attributable to parent shareholders	**3**	**22**	**19**	**44**		**44**	**-**	**44**
Total FTEs	422	121	75	618	-	618	9	627
EC Usage (start of the year)	1,073	315	80	1,467		1,467		1,467
Available capital (start of the year)				1,886		1,886		1,735
ROE (SBU based on EC Usage)	3.9%	14.0%	-6.6%	5.5%		6.0%		6.0%
ROE (on available capital)				4.3%		4.7%		5.1%
Cost Income ratio	52%	47%		57%		52%		53%

2. Net interest income

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Interest and similar income		
Interest income from assets designated at fair value through profit or loss	68	85
Interest income from other assets	197	189
Interest expense and similar charges		
Interest expense from liabilities designated at fair value through profit or loss	(10)	(9)
Interest expense from other liabilities	(88)	(123)
	167	**142**

Interest income includes negative interest from liabilities for an amount of EUR 27 million (30 June 2016: EUR 20 million).

Interest expense includes negative interest from financial assets for an amount of EUR 30 million (30 June 2016: EUR 19 million).

3. Net fee and commission income

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Fee and commission income		
Agency and underwriting fees	2	1
Investment management fees	7	3
Advisory fees	2	2
Brokerage fees	5	-
Other fees	4	5
	20	**11**
Fee and commission expense		
Other non-interest fees	-	-
	-	**-**
	20	**11**

4. Investment income

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Gains less losses		
Equity investments		
Gains less losses from equity investments (available-for-sale)		
Net gain / (losses) on disposal	-	-
Impairment losses equity investments	-	-
Gains less losses from equity investments (fair value through profit or loss)		
Gains less losses from associates	26	8
Gains less losses from other equity investments	-	(7)
Debt investments		
Gains less losses from debt investments (available-for-sale)	1	(1)
	27	**-**
Dividend income (available-for-sale)	-	-
Share in result of associates	-	-
	27	**-**

Impairment losses relating to debt investments (available-for-sale) are presented under impairments of financial assets (see note 10 Impairments of financial and non-financial assets).

5. Net trading income

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Debt securities (designated at fair value through profit or loss)	-	(1)
Debt investments (designated at fair value through profit or loss)	-	-
Residential mortgages own book and securitised residential mortgages	6	-
Loans (designated at fair value through profit or loss)	-	1
Assets and liabilities held for trading	8	4
Other interest rate instruments	(8)	(2)
Foreign exchange	(1)	(1)
Other trading income		
Fair value hedges of interest rate risk	3	6
Cash flow hedges of interest rate risk	(4)	-
Other net trading income	64	(4)
	68	**3**

6. Other operating income

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Badwill (Negative goodwill)	-	22
Other	-	4
	-	**26**

Badwill (Negative goodwill) for an amount of EUR 22 million has been recognised following the acquisition of SNS Securities N.V. on 30 June 2016. For further details see note 32 Business combinations and divestments.

7. Personnel expenses and share-based payments

The number of Full Time Equivalents (FTE) decreased from 716 at 31 December 2016 to 691 at 30 June 2017. The FTE-decrease is caused by outsourcing parts of our processes.

As a result of the internal reorganisation by NIBC Markets a one off personnel expense to an amount of EUR 4.7 million is recognised in the first half of 2017.

8. Other operating expenses

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Other operating expenses	40	38
Fees of external independent auditor	1	1
	41	**39**

9. Regulatory charges

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Resolution levy	4	4
Deposit Guarantee Scheme	5	5
	9	**9**

10. Impairments of financial and non-financial assets

Financial assets

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Impairments		
Loans classified at amortised cost	36	35
Debt investments classified at amortised cost	-	-
Debt investments classified available-for-sale	-	-
Residential mortgages own book classified at amortised cost	-	-
	36	**35**
Reversals of impairments		
Loans classified at amortised cost	(1)	(1)
Debt investments classified at amortised cost	(2)	-
Debt investments classified available-for-sale	-	-
Residential mortgages own book classified at amortised cost	-	-
	(3)	**(1)**
Other	-	-
	33	**34**

Non-financial assets

There were no impairments on non-financial assets for 2017 (2016: EUR 3 million).

11. Tax

in EUR millions	For the period ended 30-Jun-17	For the period ended 30-Jun-16
Tax reconciliation:		
Profit before tax	**141**	**49**
Tax calculated at the nominal Dutch corporate tax rate of 25.0% (2016: 25.0%)	35	12
Impact of income not subject to tax	(3)	(7)
Result final tax assessment previous years	1	1
Effect of different tax rates other countries	1	(1)
	34	**5**

The impact of income not subject to tax mainly relates to income from equity investments and investments in associates, in which NIBC Holding has a stake of more than 5%, being income that is tax exempt under Dutch tax law. NIBC Bank N.V. is part of the fiscal entity with NIBC Holding N.V.

The effective tax rate for the period ended 30 June 2017 was 24.3% (for the period ended 30 June 2016: 9.6%). The effective tax rate for the full year 2017 is expected to be in line with currently reported. The reported effective tax rate for the period ended 30 June 2016 is significantly influenced by a one-off tax exempt gain of EUR 22 million as a result of the badwill related to the acquisition of SNS Securities N.V.

NIBC Holding N.V. is the parent company of NIBC Bank N.V., NIBC Investments N.V. and NIBC Investment Management N.V., which are all part of the same fiscal entity.

12. Loans (amortised cost)

in EUR millions	30-jun-17	31-dec-16
Loans	7,445	7,732
Financial lease receivbles	151	112
	7,596	**7,844**
Legal maturity analysis of loans:		
Three months or less	362	223
Longer than three months but not longer than one year	621	747
Longer than one year but not longer than five years	4,444	4,625
Longer than five years	2,018	2,137
	7,445	**7,732**

in EUR millions	2017	2016
Movement schedule of loans:		
Balance at 1 January	**7,732**	**7,294**
Additions	1,526	3,312
Disposals	(1,604)	(2,787)
Other (including exchange rate differences)	(209)	(87)
Balance at 30 June / 31 December	**7,445**	**7,732**
Movement schedule of impairment losses on loans:		
Balance at 1 January	**179**	**140**
Additional allowances	36	78
Write-offs / disposals	(11)	(30)
Amounts released	(1)	(4)
Unwinding of discount adjustment	(4)	(9)
Other (including exchange rate differences)	(4)	4
Balance at 30 June / 31 December	**195**	**179**

in EUR millions	30-jun-17	31-dec-16
Legal maturity analysis of gross investment in finance lease recaivables:		
One year or less	18	9
Longer than one year but no longer than five years	134	109
Longer than five years	14	4
	166	**122**
Unearned future finance income on finance leases	15	10
Net investment in finance leases	**151**	**112**
Legal maturity analysis of net investment in finance lease recaivables:		
One year or less	17	9
Longer than one year but no longer than five years	123	100
Longer than five years	11	3
	151	**112**

13. Residential mortgages own book (amortised cost)

in EUR millions	30-jun-17	31-dec-16
Residential mortgages own book	3,977	3,346
	3,977	**3,346**
Legal maturity analysis of residential mortgages own book:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	1	2
Longer than five years	3,976	3,344
	3,977	**3,346**

in EUR millions	2017	2016
Movement schedule of residential mortgages own book:		
Balance at 1 January	**3,346**	**2,390**
Additions	753	1,093
Disposals	(122)	(137)
Other (including exchange rate differences)	-	-
Balance at 30 June / 31 December	**3,977**	**3,346**

The maximum credit exposure including committed but undrawn facilities was EUR 4,181 million at 30 June 2017 (31 December 2016: EUR 4,261 million).

The total impairments on residential mortgages own book at amortised cost at 30 June 2017 were EUR 2 million (31 December 2016: EUR 2 million).

14. Debt investments (amortised cost)

in EUR millions	30-jun-17	31-dec-16
Debt investments	95	287
	95	**287**
Debt investments can be categorised as follows:		
Listed	95	237
Unlisted	-	50
	95	**287**
Legal maturity analysis of debt investments:		
Three months or less	2	-
Longer than three months but not longer than one year	23	50
Longer than one year but not longer than five years	18	129
Longer than five years	52	108
	95	**287**

in EUR millions	2017	2016
Movement schedule of debt investments:		
Balance at 1 January	**287**	**294**
Additions	1	86
Disposals	(194)	(84)
Impairments	2	(6)
Exchange differences and amortisation	(1)	(3)
Balance at 30 June / 31 December	**95**	**287**
Movement schedule of impairment losses on debt investments:		
Balance at 1 January	**43**	**39**
Additional allowances	-	6
Write-offs	(20)	-
Amounts released	(2)	-
Other (including exchange rate differences)	-	(2)
Balance at 30 June / 31 December	**21**	**43**

In the first six months of 2017 and 2016 there were no additional impairments on debt investments at amortised cost.

15. Debt investments (available-for-sale)

in EUR millions	30-jun-17	31-dec-16
Debt investments	874	1,028
	874	**1,028**

All debt investments are non-government, except for EUR 39 million (31 December 2016: EUR 55 million).

in EUR millions	30-jun-17	31-dec-16
Listed	874	1,025
Unlisted	-	3
	874	**1,028**
Legal maturity analysis of debt investments:		
Three months or less	2	34
Longer than three months but not longer than one year	93	54
Longer than one year but not longer than five years	503	230
Longer than five years	276	710
	874	**1,028**

in EUR millions	2017	2016
Movement schedule of debt investments:		
Balance at 1 January	**1,028**	**1,064**
Additions	196	442
Disposals	(339)	(479)
Changes in fair value	5	(1)
Exchange rate differences	(16)	2
Balance at 30 June / 31 December	**874**	**1,028**
Movement schedule of impairment losses on debt investments:		
Balance at 1 January	**11**	**18**
Additional allowances	-	-
Write-offs	(1)	(7)
Balance at 30 June / 31 December	**10**	**11**

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes. As NIBC Holding hedges its interest rate risk from these assets, the movement due to interest rate changes and exchange rate differences is compensated by results on financial derivatives.

In the first six months of 2017 and in the year 2016 there were no additional impairments on debt investments available-for-sale.

16. Loans (designated at fair value through profit or loss)

in EUR millions	30-jun-17	31-dec-16
Loans	195	210
	195	**210**
Legal maturity analysis of loans:		
Three months or less	-	1
Longer than three months but not longer than one year	1	-
Longer than one year but not longer than five years	56	65
Longer than five years	138	144
	195	**210**

in EUR millions	2017	2016
Movement schedule of loans:		
Balance at 1 January	**210**	**316**
Additions	-	8
Disposals	(12)	(100)
Changes in fair value	1	10
Other (including exchange rate differences)	(4)	(24)
Balance at 30 June / 31 December	**195**	**210**

17. Residential mortgages own book (designated at fair value through profit or loss)

in EUR millions	30-jun-17	31-dec-16
Residential mortgages own book	4,345	4,124
	4,345	**4,124**
Legal maturity analysis of residential mortgages own book:		
Three months or less	11	9
Longer than three months but not longer than one year	27	17
Longer than one year but not longer than five years	87	104
Longer than five years	4,220	3,994
	4,345	**4,124**

in EUR millions	2017	2016
Movement schedule of residential mortgages own book:		
Balance at 1 January	**4,124**	**4,111**
Additions (including transfers from consolidated SPEs)	501	466
Disposals (sale and / or redemption, including replenishment of consolidated SPEs)	(264)	(471)
Changes in fair value	(16)	18
Balance at 30 June / 31 December	**4,345**	**4,124**

The changes in fair value in the previous table reflect movements due to both interest rate changes and credit spread changes. As NIBC Holding hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated with results on financial derivatives.

The cumulative change in fair value is disclosed in note 18 Securitised residential mortgages.

Interest income from residential mortgages own book is recognised in interest and similar income based on the effective interest rate. Fair value movements excluding interest are recognised in net trading income.

The maximum credit exposure including committed but undrawn facilities was EUR 4,346 million (31 December 2016: EUR 4,125 million).

18. Securitised residential mortgages (designated at fair value through profit or loss)

in EUR millions	30-jun-17	31-dec-16
Securitised residential mortgages	941	1,550
	941	**1,550**
Legal maturity analysis of securitised residential mortgages:		
Three months or less	1	1
Longer than three months but not longer than one year	3	1
Longer than one year but not longer than five years	17	19
Longer than five years	920	1,529
	941	**1,550**

in EUR millions	2017	2016
Movement schedule of securitised residential mortgages:		
Balance at 1 January	**1,550**	**2,266**
Additions	-	-
Disposals (sale and / or redemption including transfers to own book)	(565)	(666)
Changes in fair value	(44)	(50)
Balance at 30 June / 31 December	**941**	**1,550**

At 30 June 2017 the carrying amounts for residential mortgages own book (designated at fair value through profit or loss) and securitised residential mortgages include a total revaluation adjustment of EUR 362 million debit (31 December 2016: EUR 423 million debit) related to both interest rates and credit spreads. As NIBC Holding hedges its interest rate risk from these assets, the movement due to interest rate changes is compensated by results on financial derivatives.

The portion of fair value changes in 2017 included in the balance sheet amount relating to the movement in credit spreads on residential mortgages own book (see note 15 Residential mortgages own book) and securitised residential mortgages amounted to EUR 11 million debit at 30 June 2017 (31 December 2016: EUR 35 million debit), being an decrease in the carrying amount.

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a gain of EUR 104 million (31 December 2016: EUR 98 million) and the change for the current halfyear is a gain of EUR 6 million (first halfyear 2016: EUR 2 million).

Interest income from securitised residential mortgages is recognised in interest and similar income at the effective interest rate. Fair value movements (excluding interest) are recognised in net trading income.

At 30 June 2017, securitised residential mortgages in the amount of EUR 941 million (31 December 2016: EUR 1,550 million) were pledged as collateral for NIBC Holding's own liabilities.

The maximum credit exposure was EUR 941 at 30 June 2017 (31 December 2016: EUR 1,550 million).

The aggregate difference yet to be recognised in the income statement between transaction prices at initial recognition and the fair value determined by a valuation model on both residential mortgages own book (see note 17 Residential mortgages own book) and securitised residential mortgages at 30 June 2017 amounted to a liability of EUR 12 million (2016: EUR 14 million).

Securitised residential mortgages are recognised on NIBC Holding's balance sheet based on the risks and rewards NIBC Holding retains in the special purpose entities (SPEs) issuing the mortgage-backed notes. Risks and rewards can be retained by NIBC Holding by retaining issued notes, providing overcollateralisation to the SPEs or implementing reserve accounts in the SPEs. At the balance sheet date, NIBC Holding retained EUR 131 million (31 December 2016: EUR 135 million) of notes issued by the SPEs and reserve accounts amounted to EUR 11 million (31 December 2016: EUR 11 million).

19. Debt investments at fair value through profit or loss (including trading)

in EUR millions	30-jun-17	31-dec-16
Held for trading	50	60
Designated at fair value through profit or loss	-	-
	50	**60**
Legal maturity analysis of debt investments designated at fair value through profit or loss:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	-	-
	-	**-**

in EUR millions	2017	2016
Movement schedule of debt investments designated at fair value through profit or loss:		
Balance at 1 January	**-**	**7**
Additions	-	-
Disposals (sale and / or redemption including transfers to own book)	-	(7)
Changes in fair value	-	-
Exchange rate differences	-	-
Balance at 30 June / 31 December	**-**	**-**

20. Investment property

in EUR millions	30-jun-17	31-dec-16
Investment property	222	271
	222	**271**

in EUR millions	2017	2016
Movement schedule of investment property:		
Balance at 1 January	**271**	**251**
Additions resulting from aquisition	-	-
Disposals	(132)	-
Changes in fair value	83	20
Balance at 30 June / 31 December	**222**	**271**

21. Own debt securities in issue (amortised cost)

in EUR millions	30-jun-17	31-dec-16
Bonds and notes issued	4,532	3,855
	4,532	**3,855**
Legal maturity analysis of own debt securities in issue:		
Three months or less	13	-
Longer than three months but not longer than one year	123	67
Longer than one year but not longer than five years	3,327	2,277
Longer than five years	1,069	1,511
	4,532	**3,855**

in EUR millions	2017	2016
Movement schedule of own debt securities in issue:		
Balance at 1 January	**3,855**	**3,050**
Additions	767	1,328
Disposals	(59)	(453)
Other (including exchange rate differences)	(31)	(70)
Balance at 30 June / 31 December	**4,532**	**3,855**

In the first half year of 2017 a senior unsecured bond of EUR 500 million was issued.

The disposals of own debt securities in issue at amortised cost for 2017 includes redemptions at the scheduled maturity date and repurchases of debt securities before the legal maturity date to an amount of EUR 59 million (2016 EUR 453 million).

22. Debt securities in issue related to securitised mortgages and lease receivables (amortised cost)

in EUR millions	30-jun-17	31-dec-16
Bonds and notes issued	759	1,337
	759	**1,337**
Legal maturity analysis of debt securities in issue related to securitised mortgages and lease receivables:		
Three months or less	1	2
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	758	1,335
	759	**1,337**

in EUR millions	2017	2016
Movement schedule of debt securities in issue related to securitised mortgages and lease receivables:		
Balance at 1 January	**1,337**	**2,062**
Additions	-	-
Disposals	(578)	(725)
Other (including exchange rate differences)	-	-
Balance at 30 June / 31 December	**759**	**1,337**

23. Borrowings

in EUR millions	30-jun-17	31-dec-16
Borrowings	18	49
	18	**49**
Legal maturity analysis of borrowings:		
Three months or less	-	23
Longer than three months but not longer than one year	18	26
Longer than one year but not longer than five years	-	-
Longer than five years	-	-
	18	**49**

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a loss of EUR 14 million and the change for the current year is a loss of EUR 7 million (31 December 2016: gain of EUR 4 million).

24. Own debt securities in issue (designated at fair value through profit or loss)

in EUR millions	30-jun-17	31-dec-16
Bonds and notes issued	37	37
	37	**37**
Legal maturity analysis of own debt securities in issue:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	37	37
Longer than five years	-	-
	37	**37**

in EUR millions	2017	2016
Movement schedule of own debt securities in issue:		
Balance at 1 January	**37**	**36**
Additions	1	1
Disposals	-	-
Changes in fair value	(1)	-
Other (including exchange rate differences)	-	-
Balance at 30 June / 31 December	**37**	**37**

The fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC Holding hedges its interest rate risk from these liabilities, the movement due to interest rate changes is compensated by results on financial derivatives.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 34 million at 30 June 2017 (31 December 2016: EUR 34 million).

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a gain of EUR 1 million and the change for the current year amounts following early adoption of IFRS 9 Own credit risk is nil (first half of 2016: nil). See note 29.7 for further information with respect to IFRS 9 Own credit risk.

25. Debt securities in issue structured (designated at fair value through profit or loss)

in EUR millions	30-jun-17	31-dec-16
Bonds and notes issued	613	620
	613	**620**
Legal maturity analysis of debt securities in issue structured:		
Three months or less	10	-
Longer than three months but not longer than one year	-	16
Longer than one year but not longer than five years	283	55
Longer than five years	320	549
	613	**620**

in EUR millions	2017	2016
Movement schedule of debt securities in issue structured:		
Balance at 1 January	**620**	**704**
Additions	19	56
Disposals	(14)	(169)
Changes in fair value	9	35
Other (including exchange rate differences)	(21)	(6)
Balance at 30 June / 31 December	**613**	**620**

The disposals of debt securities in issue designated at fair value through profit or loss for 2017 include redemptions at the scheduled maturity date and repurchases of debt securities before the legal maturity date to an amount of EUR 14 million (31 December 2016: EUR 169 million). The changes in fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these liabilities, the movement due to interest rate changes is compensated with results on financial derivatives.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 597 million at 30 June 2017 (2016: EUR 654 million).

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a gain of EUR 5 million and the change for the current period is a loss before tax of EUR 8 million recognised in other comprehensive income following early adoption of IFRS 9 Own credit risk (first half of 2016: nil). See note 29.7 for further information with respect to IFRS 9 Own credit risk.

26. Subordinated liabilities - amortised cost

in EUR millions	30-jun-17	31-dec-16
Subordinated loans other	117	122
	117	**122**
Legal maturity analysis of subordinated liabilities		
One year or less	-	-
Longer than one year but not longer than five years	2	2
Longer than five years but not longer than ten years	61	50
Longer than ten years	54	70
	117	**122**

in EUR millions	2017	2016
Movement schedule of subordinated liabilities:		
Balance at 1 January	**122**	**120**
Additions	-	-
Disposals	(1)	-
Other (including exchange rate differences)	(4)	2
Balance at 30 June / 31 December	**117**	**122**

All of the above loans are subordinated to the other liabilities of NIBC Holding. With respect to the CRR/CRDIV requirements regarding additional Tier-1 capital instruments, non-qualifying subordinated loans amounted to EUR 53 million (31 December 2016: EUR 58 million). Interest expense of EUR 2 million was recognised on subordinated liabilities during the first half of 2017 (first half of 2016: EUR 2 million). In 2017 and 2016, no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item.

27. Subordinated liabilities - designated at fair value through profit or loss

in EUR millions	30-jun-17	31-dec-16
Non-qualifying as grandfathered additional Tier-1 capital	178	179
Subordinated loans other	92	97
	270	**276**
Legal maturity analysis of subordinated liabilities:		
One year or less	-	1
Longer than one year but not longer than five years	-	-
Longer than five years but not longer than ten years	-	-
Longer than ten years	270	275
	270	**276**

in EUR millions	2017	2016
Movement schedule of subordinated liabilities:		
Balance at 1 January	**276**	**280**
Additions	2	1
Disposals	(3)	(17)
Changes in fair value	11	5
Other (including exchange rate differences)	(16)	7
Balance at 30 June / 31 December	**270**	**276**

The fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC Holding hedges its interest rate risk from these liabilities, the movement due to interest rate changes is compensated by results on financial derivatives.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 338 million at 30 June 2017 (31 December 2016: EUR 405 million).

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in credit risk amounts to a gain of EUR 111 million and the change for the current year amounts to a loss before tax of EUR 11 million recognised in other comprehensive income following early adoption of IFRS 9 Own credit risk (first half of 2016: nil). See note 29.7 for further information with respect to IFRS 9 Own credit risk.

All of the above loans are subordinated to the other liabilities of NIBC Holding. The non-qualifying as grandfathered additional Tier-1 capital consists of perpetual securities and may be redeemed by NIBC Holding only with the prior approval of the DNB. Interest expense of EUR 9 million was recognised on subordinated liabilities during the first half of 2017 (first half of 2016: EUR 8 million). In 2017 and 2016, no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item.

NIBC Holding has not had any defaults of principal, interest or redemption amounts on its (subordinated) liabilities during 2017 or 2016.

28. Capital and shares

The ultimate controlling company is New NIB Limited, a company incorporated in Ireland.

Share Capital

in EUR millions	30-jun-17	31-dec-16
Paid-up capital	1,408	1,408
	1,408	**1,408**

	30-jun-17	31-dec-16
The number of authorised shares:		
Number of authorised shares	500,000,000	500,000,000
Number of shares issued and fully paid	147,513,369	147,513,369
Par value per A-share	1.00	1.00

	2017	2016
Reconciliation of number of shares outstanding		
Balance at 1 january	**145,993,810.00**	**145,993,810.00**
Shares issued	-	-
Balance at 30 june / 31 december	**145,993,810.00**	**145,993,810.00**

29. Fair value of financial instruments

This note describes the fair value measurement of both financial and non-financial instruments and is structured as follows:
29.1 Valuation principles
29.2 Valuation governance
29.3 Financial instruments by fair value hierarchy
29.4 Valuation techniques
29.5 Valuation adjustments and other inputs and considerations
29.6 Impact of valuation adjustments
29.7 Own credit adjustments on financial liabilities designated at fair value
29.8 Transfers between Level 1 and Level 2
29.9 Movements in level 3 financial instruments measured at fair value
29.10 Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions
29.11 Sensitivity of fair value measurements to changes in observable market data
29.12 Fair value of financial instruments not measured at fair value
29.13 Non-financial assets valued at fair value

29.1. Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as follows:

- Level 1 financial instruments - Quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 financial instruments - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 financial instruments - Inputs that are not based on observable market data (unobservable inputs).

29.2. Valuation governance

NIBC Holding's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. All new product initiatives (including their valuation methodologies) are subject to approvals by various functions of NIBC Holding including the Risk and Finance functions. Once submitted, fair value estimates are also reviewed and challenged by the Risk and Finance functions.

29.3. Financial instruments by fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 within the fair value hierarchy based on the degree to which the fair value is observable:

Fair value of financial instruments at 30 June 2017

in EUR millions	Level 1	Level 2	Level 3	30-jun-17
Financial assets available-for-sale				
Equity investments (unlisted)	-	-	41	41
Debt investments	697	176	1	874
	697	**176**	**42**	**915**
Financial assets at fair value through profit or loss (including trading)				
Loans	-	195	-	195
Residential mortgages own book	-	-	4,345	4,345
Securitised residential mortgages	-	-	941	941
Equity investments (including investments in associates)	2	1	220	223
Debt investments	-	49	1	50
Derivative financial assets	-	1,499	-	1,499
	2	**1,744**	**5,507**	**7,253**
	699	**1,920**	**5,549**	**8,168**

in EUR millions	Level 1	Level 2	Level 3	30-jun-17
Financial liabilities at fair value through profit or loss (including trading)				
Borrowings	-	18	-	18
Own debt securities in issue	-	37	-	37
Debt securities in issue structured	-	613	-	613
Derivative financial liabilities	-	1,499	-	1,499
Subordinated liabilities	-	270	-	270
	-	**2,437**	**-**	**2,437**

Fair value of financial instruments at 31 December 2016

in EUR millions	Level 1	Level 2	Level 3	31-dec-16
Financial assets available-for-sale				
Equity investments (unlisted)	-	-	41	41
Debt investments	840	187	1	1,028
	840	**187**	**42**	**1,069**
Financial assets at fair value through profit or loss (including trading)				
Loans	-	210	-	210
Residential mortgages own book	-	-	4,124	4,124
Securitised residential mortgages	-	-	1,550	1,550
Equity investments (including investments in associates)	2	-	202	204
Debt investments	-	59	1	60
Derivative financial assets	-	1,811	-	1,811
	2	**2,080**	**5,877**	**7,959**
	842	**2,267**	**5,919**	**9,028**

in EUR millions	Level 1	Level 2	Level 3	31-dec-16
Financial liabilities at fair value through profit or loss (including trading)				
Borrowings	-	49	-	49
Own debt securities in issue	-	37	-	37
Debt securities in issue structured	-	620	-	620
Derivative financial liabilities	-	2,006	-	2,006
Subordinated liabilities	-	276	-	276
	-	**2,939**	**-**	**2,939**

29.4. Valuation techniques

The following is a description of the determination of fair value for financial instruments that are recorded at fair value using either quoted prices or valuation techniques. These incorporate NIBC Holding's interpretation of valuation assumptions (qualitative) that a market participant would consider when valuing the instruments.

Financial assets available-for-sale

Debt investments - level 1

For the determination of fair value at 30 June 2017, NIBC Holding used market-observable prices (including broker quotes). NIBC Holding has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Debt investments - level 2

For the determination of fair value at 30 June 2017, NIBC Holding applied market-observable prices (including broker quotes), interest rates and credit spreads derived from market-observable data. NIBC Holding has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Loans - level 3

For the level 3 loans classified at available-for-sale, NIBC Holding determines the fair value based on the unobservable sales pricings from external parties and on an internal development valuation model.

Equity investments (unlisted) - level 3

The fair value of investments in equity funds is determined based on the net asset value reported by the managers of these funds. These net asset values are analysed for reasonableness, so as to ascertain that the reported net asset value has been appropriately derived using proper fair value principles as part of a robust process. To approximate the fair value at the reporting date, the net asset value is adjusted, where appropriate, for factors such as, subsequent capital contributions and fund distributions, movements in exchange rate and subsequent changes in the fair value of the underlying investee companies, where these are known to NIBC Holding.

The fair value of equity investments is established by applying capitalisation multiples to maintainable earnings. Maintainable earnings are estimated based on the normalised last twelve months' EBITDA. Capitalisation multiples are derived from the enterprise value and the normalised last twelve months EBITDA at the acquisition date. On each reporting date, the capitalisation multiple of each equity investment is compared against those derived from the publicly available enterprise value and earnings information of traded peers, where these can be identified. Peer capitalisation multiples are normalised for factors such as differences in regional and economic environment, time lags in earnings information and one-off gains and losses.

The resulting enterprise value is adjusted for net debt, non-controlling interests, illiquidity and management incentive plans to arrive at the fair value of the equity.

Debt investments - level 3
For the level 3 debt investments, NIBC Holding uses valuation models that apply discounted cash flow analysis that incorporates both observable and unobservable data. Observable inputs include interest rates and collateral values; unobservable inputs include assumptions regarding credit spreads and market liquidity discounts.

Financial assets at fair value through profit or loss

Equity investments - level 1
The level 1 portfolio consists of unadjusted, quoted prices for assets in an active market. The assets have been valued at the market's closing price of the 30rd of June.

Loans - level 2
In an active market environment, these assets are marked-to-market by applying market bid quotes observed on the secondary market. The quotes received from other banks or brokers and applied in the marked-to-market process are calibrated to actual market trades whenever possible.

In certain instances, where the market is inactive, a discounted cash flow model is used based on various assumptions including market interest rates, market credit spread levels and assumptions regarding market liquidity, where relevant. Additional pricing reference points have been obtained by collecting spreads using primary transactions that are comparable with the relevant loans.

Debt investments - level 2
For the determination of fair value at 30 June 2017, NIBC Holding applied market-observable prices (including broker quotes), interest rates and credit spreads derived from market-observable data. NIBC Holding has determined fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Derivatives financial assets and liabilities (held for trading and used for hedging) - level 2
Derivative products valued using a valuation technique with market-observable inputs are mainly interest rate swaps, currency swaps, credit default swaps and foreign exchange contracts. The most frequently applied valuation techniques include swap models using present value calculations. The models incorporate various inputs including foreign exchange rates, credit spread levels and interest rate curves. Credit derivative valuation models also require input as to the estimated probability of default and recovery value.

Loans - level 3
For the level 3 loans classified at fair value through profit or loss, NIBC Holding determines the fair value based on the unobservable sales pricings from external parties and on an internal development valuation model.

Residential mortgages (own book and securitised) - level 3
NIBC Holding determines the fair value of residential mortgages (both those NIBC Holding holds on its own book and those NIBC Holding has securitised) by using a valuation model developed by NIBC Holding. To calculate the fair value, NIBC Holding discounts expected cash flows (after expected prepayments) to present value using inter-bank zero-coupon rates, adjusted for a spread that principally takes into account the credit spread risk of the mortgages and uncertainty relating to prepayment estimates.

The RMBS spread is determined by collecting RMBS spreads from publicly issued Dutch RMBS-transactions. The discount spread is derived by adding related RMBS costs to the RMBS spread.

Sensitivity analysis carried out on the prepayment rates used in the valuation model of the residential mortgages showed that the variability in these rates does not have a significant impact on the total value of the Residential Mortgage portfolio.

Equity investments (including investments in associates) - level 3

The fair value of investments in equity funds is determined based on the net asset value reported by the managers of these funds. These net asset values are analysed for reasonableness, so as to ascertain that the reported net asset value has been appropriately derived using proper fair value principles as part of a robust process. To approximate the fair value at the reporting date, the net asset value is adjusted, where appropriate, for factors such as, subsequent capital contributions and fund distributions, movements in exchange rate and subsequent changes in the fair value of the underlying investee companies, where these are known to NIBC Holding.

The fair value of equity investments is established by applying capitalisation multiples to maintainable earnings. Maintainable earnings are estimated based on the normalised last twelve months' Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA). Capitalisation multiples are derived from the enterprise value and the normalised last twelve months EBITDA at the acquisition date. On each reporting date, the capitalisation multiple of each equity investment is compared against those derived from the publicly available enterprise value and earnings information of traded peers, where these can be identified. Peer capitalisation multiples are normalised for factors such as differences in regional and economic environment, time lags in earnings information and one-off gains and losses.

The resulting enterprise value is adjusted for net debt, non-controlling interests, illiquidity and management incentive plans to arrive at the fair value of the equity.

Debt investments - level 3

For the level 3 debt investments, NIBC Holding uses valuation models that apply discounted cash flow analysis that incorporates both observable and unobservable data. Observable inputs include interest rates and collateral values; unobservable inputs include assumptions regarding credit spreads and market liquidity discounts.

Financial liabilities at fair value through profit or loss (including trading)

Own liabilities designated at fair value through profit or loss - level 2

This portfolio was designated at fair value through profit or loss and is reported on the face of the balance sheet under the following headings:

- Own debt securities in issue (financial liabilities at fair value through profit or loss);
- Debt securities in issue structured (financial liabilities at fair value through profit or loss); and
- Subordinated liabilities (financial liabilities at fair value through profit or loss).

Debt securities in issue structured consist of notes issued with embedded derivatives that are tailored to specific investors' needs. The return on these notes is dependent upon the level of certain underlying equity, interest rate, currency, credit, commodity or inflation-linked indices. The embedded derivative within each note issued is fully hedged on a back-to-back basis, such that effectively synthetic floating rate funding is created. Because of this economic hedge, the income statement is not sensitive to fluctuations in the price of these indices.

In the case of debt securities in issue structured and subordinated liabilities, the fair value of the notes issued and the back-to-back hedging swaps is determined using valuation models developed by a third party employing Monte Carlo simulation, lattice valuations or closed formulas, depending on the type of embedded derivative. These models use market-observable inputs (e.g. interest rates, equity prices) for valuation of these structures.

For each class of own financial liabilities at fair value through profit or loss, the expected cash flows are discounted to present value using interbank zero-coupon rates. The resulting fair value is adjusted for movements in the credit spread applicable to NIBC Holding issued funding.

29.5. Valuation adjustments and other inputs and considerations

Credit and debit valuation adjustments

NIBC Holding calculates Credit value adjustment/Debet value adjustment on a counterparty basis over the entire life of the exposure.

Bid-offer

NIBC Holding's pricing models initially calculate mid-market prices, which are subsequently adjusted to reflect bid-offer spreads (the difference between prices quoted for sales and purchases). NIBC Markets pricing models use bid prices.

Day 1 profit

A Day 1 profit, representing the difference between the transaction price and the fair value output of internal models, is recognised when the inputs to the valuation models are observable market data.

29.6. Impact of valuation adjustments

The following table shows the amount recorded in the income statement:

in EUR millions	30-jun-17	31-dec-16
Type of adjustment		
Risk related	-	-
Credit value adjustment / Debit value adjustment	2	2
Totally Risk related	**2**	**2**
Bid-offer adjustment	(2)	(3)
Day-1 profit (see the following table)	2	3
	2	**2**

The following table shows the movement in the aggregate profit not recognised when financial instruments were initially recognised (Day 1 profit), because of the use of valuation techniques for which not all the inputs were market observable data.

in EUR millions	30-jun-17	31-dec-16
Movement schedule of day-1 profit		
Balance at 1 January	**14**	**16**
Deferral of profit on new transactions	-	-
Recognised in the income statement during the period:		
Subsequent recognition due to amortisation	(2)	(2)
Derecognition of the instruments	-	-
Exchange differences	-	-
Balance at 30 June / 31 December	**12**	**14**

29.7. Own credit adjustments on financial liabilities designated at fair value

The own credit presentation requirements of IFRS 9 were early applied as of 1 January 2016. From this date onward, changes in the fair value of financial liabilities designated at fair value through profit and loss related to own credit are recognised in Other comprehensive income and presented in the Statement of comprehensive income, and no longer in Net trading income within the Income statement. Comparative period information was not restated in the first half of 2016. The following table summarises the effects of own credit adjustments related to financial liabilities designated at fair value. Life-to-date amounts reflect the cumulative unrealised change since initial recognition.

in EUR millions	30-jun-17	31-dec-16
Recognised during the period (before tax):	Included in OCI	Included in Net trading income
Realised gain / (loss)	-	-
Unrealised gain / (loss)	(19)	(16)
	(19)	**(16)**
Unrealised life-to-date gain / (loss)	117	136
	117	**136**

29.8. Transfers between level 1 and level 2

In the first of 2017 debt investments at fair value through profit of loss for an amount of EUR 166 million has been transferred from level 1 to level 2. The level 2 classification in the fair value hierarchy better reflected the underlying valuation methodology.

During the year ended 31 December 2016, there were no transfers between level 1 and level 2 fair value measurements.

29.9. Movements in level 3 financial instruments measured at fair value

During the periodended 30 June 2017 and 31 December 2016, there were no transfers into and out of level 3 fair value measurements.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets and liabilities which are recorded at fair value:

in EUR millions	At 1 January 2017	Amounts recognised in the income statement	Amounts recognised recorded in OCI	Purchases/ Additions	Sales	Settle-ments/ Disposals	Transfers into level 3	Transfers from level 3	At 30 June 2017
Financial assets available-for-sale									
Equity investments	41	(1)	3	-	-	(2)	-	-	41
Debt investments	1	-	-	-	-	-	-	-	1
Financial assets at fair value through profit or loss (including trading)									
Loans	-								-
Residential mortgages own book	4,124	(16)	-	501	-	(264)	-	-	4,345
Securitised residential mortgages	1,550	(44)	-	-	-	(565)	-	-	941
Equity investments (including investments in associates)	202	23	-	19	-	(24)	-	-	220
Debt investments	1	-	-	-	-	-	-	-	1
	5,919	**(38)**	**3**	**520**	**-**	**(855)**	**-**	**-**	**5,549**

in EUR millions	At 1 January 2016	Amounts recognised in the income statement	Amounts recognised recorded in OCI	Purchases/ Additions	Sales	Settle-ments/ Disposals	Transfers into level 3	Transfers from level 3	At 31 December 2016
Financial assets available-for-sale									
Equity investments	48	(1)	(3)	-	(3)	-	-	-	41
Debt investments	1	-	-	-	-	-	-	-	1
Financial assets at fair value through profit or loss (including trading)									
Loans	14	6	-	-	-	(20)	-	-	-
Residential mortgages own book	4,111	18	-	466	-	(471)	-	-	4,124
Securitised residential mortgages	2,266	(50)	-	-	-	(666)	-	-	1,550
Equity investments (including investments in associates)	222	14	-	41	(75)	-	-	-	202
Debt investments	-	-	-	1	-	-	-	-	1
	6,662	**(13)**	**(3)**	**508**	**(78)**	**(1,157)**	**-**	**-**	**5,919**

Total gains or losses on level 3 financial instruments in the previous table are presented in the income statement and other comprehensive income as follows:

	For the period ended							
	30 June 2017				31 December 2016			
in EUR millions	Net trading income	Investment income	Revaluation reserve	Total	Net trading income	Investment income	Revaluation reserve	Total
Financial assets available-for-sale								
Equity investments	-	(1)	3	2	-	(1)	(3)	(4)
Debt investments	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss (including trading)								
Loans	-	-	-	-	6	-	-	6
Residential mortgages own book	(16)	-	-	(16)	18	-	-	18
Securitised residential mortgages	(44)	-	-	(44)	(50)	-	-	(50)
Equity investments (including investments in associates)	-	23	-	23	-	14	-	14
Debt investments	-	-	-	-	-	-	-	-
	(60)	**22**	**3**	**(35)**	**(26)**	**13**	**(3)**	**(16)**

The amount in total gains or losses presented in the income statement for the period relating to the assets and liabilities held in level 3 until the end of the reporting period is given in the following table:

	For the period ended			
	30 June 2017		31 December 2016	
in EUR millions	Held at balance sheet date	Derecognised during the period	Held at balance sheet date	Derecognised during the period
Financial assets available-for-sale				
Equity investments	(1)	-	(1)	-
Debt investments	-	-	-	-
Financial assets at fair value through profit or loss (including trading)				
Loans	-	-	-	6
Residential mortgages own book	(16)	-	18	-
Securitised residential mortgages	(44)	-	(50)	-
Equity investments (including investments in associates)	23	-	15	(1)
	(38)	**-**	**(18)**	**5**

Recognition of unrealised gains and losses in Level 3

Amounts recognised in the profit and loss account relating to unrealised gains and losses during the year that relates to Level 3 assets and liabilities are included in the profit and loss account as follows:

	For the period ended					
	30 June 2017			31 December 2016		
in EUR millions	Net trading income	Investment income	Total	Net trading income	Investment income	Total
Financial assets available-for-sale						
Equity investments	-	-	-	-	(1)	(1)
Debt investments	-	-	-	-	-	-
Financial assets at fair value through profit or loss (including trading)						
Loans	-	-	-	-	-	-
Residential mortgages own book	(16)	-	(16)	18	-	18
Securitised residential mortgages	(44)	-	(44)	(50)	-	(50)
Equity investments (including investments in associates)	-	(22)	(22)	-	9	9
	(60)	**(22)**	**(82)**	**(32)**	**8**	**(24)**

29.10. Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions

The following table provides a summary of the valuation techniques, key unobservable inputs and the lower and upper range of such unobservable inputs, by type of level 3 asset/liability. The lower and upper range mentioned in the overview represent the lowest and highest variance of the respective valuation input as actually used in the valuation of the different financial instruments. Amounts and percentages stated are unweighted. The range could change from period to period subject to market movements and change in level 3 position. Lower and upper bounds reflect the variability of level 3 positions and their underlying valuation inputs in the portfolio, but do not adequately reflect their level of valuation uncertainty. For valuation uncertainty assessment, please refer to following section 29.11 Sensitivity of fair value measurements to changes in observable market data.

	At 30 June 2017					
	in EUR millions					
	Fair value of level 3 assets	Fair value of level 3 liabilities	Valuation technique	Significant unobservable inputs	Lower range	Upper range
Financial assets available-for-sale						
Equity investments[1]	41	-	Discounted cash flow	Financial statements	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions	-	n.a.	n.a.
Debt investments[1]	1	-	Expected cashflows	Expected cashflow from collateral	0%	100%
Financial assets at fair value through profit or loss (including trading)						
Residential mortgages own book	4,345	-	Discounted projected cash flows	Discount Spread (bps)	114	157
Securitised residential mortgages	941	-	Discounted projected cash flows	Discount Spread (bps)	114	157
Equity investments (including investments in associates)[1]	220		Discounted cash flow	Financial statements	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions	-	n.a.	n.a.
Debt investments[1]	1	-	Bid price	Price %	0%	100%

1 Given the wide range of diverse investments and the correspondingly large differences in prices, NIBC does not disclose the ranges as it believes it would not provide meaningful information without a full list of the underlying investments, which would be impractical.

	At 31 December 2016					
	in EUR millions					
	Fair value of level 3 assets	Fair value of level 3 liabilities	Valuation technique	Significant unobservable inputs	Lower range	Upper range
Financial assets available-for-sale						
Equity investments[1]	41	-	Discounted cash flow	Financial statements	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions	-	n.a.	n.a.
Debt investments[1]	1	-	Expected cashflows	Expected cashflow from collateral	0%	100%
Financial assets at fair value through profit or loss (including trading)						
Residential mortgages own book	4,124	-	Discounted projected cash flows	Discount Spread (bps)	119	174
Securitised residential mortgages	1,550	-	Discounted projected cash flows	Discount Spread (bps)	119	174
Equity investments (including investments in associates)[1]	202		Discounted cash flow	Financial statements	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions	-	n.a.	n.a.
Debt investments[1]	1	-	Bid price	Price %	0%	100%

1 Given the wide range of diverse investments and the correspondingly large differences in prices, NIBC does not disclose the ranges as it believes it would not provide meaningful information without a full list of the underlying investments, which would be impractical.

Non-Listed equity investments

Level 3 equity securities mainly include corporate investments, fund investments and other equity securities which are not traded in active markets. In the absence of an active market, fair values are estimated on the analysis of fund manager reports, company's financial position and other factors.

Discount spreads

Discount spread is the spread above a market interest rate, based on Euribor, which is used to discount the projected cash flows. The lower range is the outcome of a bottom-up valuation approach, the upper range is the result of a top-down valuation approach.

Expected sales prices underlying assets

The fair value of the loans available for sale is highly dependend on the projected sales prices of the underlying assets. The lower level assumes actual salesprices of 75% of the projected sales prices the higher level assumes actual salesprices of 125%.

Price

For securities where market prices are not available fair value is measured by comparison with observable pricing data from similar instruments. Prices of 0% are distressed to the point that no recovery is expected, while prices significantly in excess of 100% or par are expected to pay good yield.

Debt investments AFS

Level 3 AFS debt investments are valued based on the expected cashflows of the instrument flowing from the collateral.

29.11. Sensitivity of fair value measurements to changes in observable market data

The following table shows the impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions by class of instrument:

	For the period ended			
	30 June 2017		31 December 2016	
in EUR millions	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Financial assets available-for-sale				
Equity investments (unlisted)	41	1	41	2
Debt investments	1	2	1	-
Financial assets at fair value through profit or loss (including trading)				
Loans	-	-	-	-
Residential mortgages own book	4,345	13	4,124	12
Securitised residential mortgages	941	3	1,550	4
Equity investments (including investments in associates)	220	11	202	10
Debt investments	1	-	1	-

In order to determine the reasonably possible alternative assumptions, NIBC Holding adjusted key unobservable valuation technique inputs as follows:

- For equity investments, the material unobservable input parameters, such as capitalisation multiple, that are applied to the maintainable earnings to determine fair value are adjusted by 5%;
- For the residential mortgages classified at fair value through profit or loss (both those NIBC Holding holds on its own book and those NIBC Holding has securitised), NIBC Holding adjusted the discount spread with 10bp as a reasonably possible alternative outcome;
- For the debt investments, NIBC Holding adjusted the weighted average calculated model price by 100 basis points as a reasonably possible alternative outcome. The primary unobservable input in the calculated model price is the applicable credit spread; and
- For loans, the material unobservable input parameters, such as discounts on sale prices, a 5% deviation in fair value is a reasonably possible alternative assumption.

In the period ended 30 June 2017, there were no significant changes in the business or economic circumstances that affect the fair value of the NIBC Holding's financial assets and liabilities and there were no reclassifications of financial assets.

29.12. Fair value information on financial instruments not measured at fair value

The following table presents the carrying values and estimated fair values of financial assets and liabilities, excluding financial instruments which are carried at fair value on a recurring basis.

	Fair value information at 30 June 2017				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Loans	-	7,596	-	7,596	7,695
Residential mortgages own book	-	-	3,977	3,977	4,260
Debt investments	-	95	-	95	90
Financial liabilities at amortised cost					
Own debt securities in issue	-	4,532	-	4,532	4,581
Debt securities in issue related to securitised mortgages and lease receivables	-	-	759	759	762
Subordinated liabilities	-	117	-	117	107

	Fair value information at 31 December 2016				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Loans	-	7,844	-	7,844	7,945
Residential mortgages own book	-	-	3,346	3,346	3,618
Debt investments	-	287	-	287	261
Financial liabilities at amortised cost					
Own debt securities in issue	-	3,855	-	3,855	3,717
Debt securities in issue related to securitised mortgages and lease receivables	-	-	1,337	1,337	1,348
Subordinated liabilities	-	122	-	122	120

Financial instruments for which carrying value approximates fair value

Certain financial instruments that are not carried at fair value are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These financial instruments include cash and balances with central banks, due from other banks, due to other banks, deposits from customers and other financial liabilities. These financial instruments are not included in the previous table.

Fair value of savings values mortgages

The savings values of the mortgages are recognised under Deposits from Customers at amortised cost. fair value of future obligations, being future premiums and interest amount to EUR 132 million.

29.13. Non-financial assets valued at fair value

NIBC Holding's land and buildings are valued at fair value through equity. The carrying amount of NIBC Holding's land and buildings (level 3) as of 30 June 2017 was EUR 39 million (31 December 2016: EUR 40 million). The land and buildings were last revalued as of 31 December 2014 based on external appraisal. No fair value movements were recognised in the statement of comprehensive income or the income statement in respect of NIBC Holding's land and buildings in the period ended 30 June 2017 and 31 December 2016.

30. Reclassification financial assets (application of amendments to IAS39 and IFRS7)

As of 1 July 2008, NIBC Holding reclassified non-derivative trading financial assets, which do not meet the definition of loans and receivables and are no longer held for the purpose of selling them in the near term, from held for trading to available-for-sale. NIBC Holding believes that the deterioration of the world's financial markets that occurred in the course of 2008 represents a rare circumstance that allows such a reclassification, under the exemption rules of IAS 39.

In addition, NIBC Holding reclassified financial assets from held for trading and available-for-sale to loans and receivables. At the date of reclassification NIBC Holding had the intention and ability to hold these reclassified loans and receivables for the foreseeable future or until maturity.

Impact reclassification financial assets on comprehensive income

	30-jun-17		31-dec-16	
in EUR millions	After reclassification	Before reclassification	After reclassification	Before reclassification
Net interest income	7	7	16	15
Net trading income	-	5	1	1
Impairment of financial assets	-	-	4	4

Impact reclassification financial assets

The following table presents the fair value and carrying value of the financial assets reclassified as of 1 July 2008:

	Loan portfolio reclassified from:	Debt investments reclassified from:		
in EUR millions	Available-for-sale category to AC	Held for trading category to AC	Available-for-sale category to AC	Held for trading category to AFS
Fair value on date of reclassification	523	14	25	152
Carrying amount as per 30 June 2017	571	1	18	77
Fair value as per 30 June 2017	540	1	18	69
Range of effective interest rates at the date of reclassification[1]	5-9%	6-13%	6-8%	18-23%
Expected undiscounted recoverable cash flows	579	237	30	31

1 Ranges of effective interest rates were determined based on weighted average rates.

31. Commitments and contingent assets and liabilities

At any time, NIBC Holding has outstanding commitments to extend credit. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one to three months. Commitments extended to customers related to mortgages at fixed-interest rates or fixed spreads are hedged with interest rate swaps recorded at fair value. These commitments are designated upon initial recognition at fair value through profit or loss.

NIBC Holding provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. Expirations are not concentrated in any period.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. In the following table, it is assumed that amounts are fully advanced.

The amounts for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

in EUR millions	30-jun-17	31-dec-16
Contract amount:		
Committed facilities with respect to corporate loan financing	1,421	1,303
Committed facilities with respect to residential mortgages	168	708
Capital commitments with respect to equity investments	13	19
Guarantees granted	56	76
Irrevocable letters of credit	24	18
	1,682	**2,124**

These commitments and contingent liabilities have off-balance sheet credit risk because only commitment/origination fees and accruals for probable losses are recognised in the balance sheet until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

Legal proceedings

NIBC Holding is involved in a number of legal proceedings in the ordinary course of business as at 30 June 2017. This includes a small number of proceedings that have been initiated against NIBC Holding for alleged breach of its duty of care. Although some claims in relation to alleged breach of the duty of care remain contingent, they have been (partly) provisioned. On the basis of legal advice, taking into consideration the facts known at present, NIBC Holding is of the opinion that the outcome of these legal proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated results of NIBC Holding.

32. Business combinations and divestments

Acquisitions

Acquisitions in 2017

There were no acquisitions in the first half of 2017.

Acquisitions in 2016

Acquisition of SNS Securities N.V.

On 30 June 2016, NIBC Holding obtained control of SNS Securities N.V., located in Amsterdam, by acquiring 100% of the share capital and voting interests in the company from SNS Bank N.V. With the acquisition, NIBC Holding initially intended to expand its service offering with capital market solutions, bond and stock broking, research and execution services for independent asset managers, commercial lending and principal investments. The acquisition of SNS Securities N.V. has been approved by the appropriate regulatory authorities and work councils. On 30 June 2016 SNS Securities N.V. changed its name into NIBC Markets N.V. Based on change in strategic priorities NIBC announced in January 2017 to discontinue a part of these services in the first half year of 2017 (see note 34 for further details).

Acquisition-related costs
Acquisition related costs of EUR 0.5 million have been charged to other operating expenses in the consolidated income statement.

The following table summarises the consideration transferred and the fair value of assets acquired and liabilities assumed at the acquisition date. The fair value of the identifiable net assets is based on an assessment by an external independent valuator. The valuation was completed in 2016.

in EUR millions	Fair value recognised on acquisition
Assets	
Cash and cash equivalents	38
Loans and receivables (AC)	71
Debt investments (FV)	79
Other	2
Total assets	**190**
Liabilities	
Due to other banks	93
Deposits from customers	68
Other	3
Total liabilities	**164**
Total identifiable net assets at fair value	**26**
Badwill (Negative goodwill) arising on acquisition	22
Total consideration transferred	**4**

NIBC Holding paid EUR 3.5 million in cash for 100% of the shares outstanding.

EUR 22 million was recognised as badwill (negative goodwill) (income) on the acquisition of SNS Securities N.V. and is recognised in Other operating income of the consolidated income statement.

Acquired loans and receivables (AC)
The fair value of the receivables comprise gross amounts. NIBC Holding estimates that all receivables are collectible.

Intangible assets and contingent liabilities
There are no material intangible assets identified and contingent liabilities related to the acquisition of SNS Securities N.V.

Revenue and profit contribution
Because NIBC Holding acquired SNS Securities N.V. on 30 June 2016, no material results (excluding recognised badwill of EUR 22 million) contributed to NIBC Holding's results in the first half of 2016.

If this acquisition had occurred on 1 January 2016, management estimates that the result from this company included in the consolidation would have been a loss of EUR 0.9 million in the first half of 2016.

Divestments
There were no divestments in the first half of 2017.

Divestments closed in the first half of 2016

In September 2015, NIBC Holding committed to a plan to sell its non-financial company Olympia Nederland Holding B.V., which was consequently classified as a Disposal group held for sale. In February 2016 NIBC Holding reached an agreement on the sale of Olympia to a third party which was closed on 2 June 2016. The sale is based upon a strategic decision to place greater focus on NIBC Holding's key financial services competencies.

The transaction resulted in a net loss of EUR 2 million in 2016 which was charged to impairment of non-financial assets in the income statement.

33. Related party transactions

In the normal course of business, NIBC Holding enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of NIBC Holding include, amongst others, its subsidiaries, associates and key management personnel. The transactions were made at an arm's length price. Transactions between NIBC Holding and its subsidiaries meet the definition of related party transactions. However, as all of these transactions are eliminated on consolidation, they are not disclosed as related party transactions.

Transactions involving NIBC Holding's shareholders

in EUR millions	30-jun-17	31-dec-16
Transactions involving NIBC Holding's shareholders		
Assets	32	30
Liabilities	-	-
Off-balance sheet commitments	9	11
Income received	1	(1)
Expenses paid	-	-

Transactions with other entities controlled by NIBC Holding's shareholders

In the first half of 2017 and in 2016 there were no transactions between NIBC Holding and other entities controlled by NIBC Holding's shareholders.

Transactions related to associates

in EUR millions	30-jun-17	31-dec-16
Transactions related to associates		
Assets	75	86
Liabilities	-	-
Off-balance sheet commitments	7	12
Income received	4	10
Expenses paid	-	-

NIBC Holding did not earn fees on the loans from these associates in 2017 and 2016.

34. Important events and transactions

Announced internal reorganisation by NIBC Markets in 2017

In January 2017, NIBC Holding announced that, despite their logical position and their contribution to NIBC Markets, the activities of NIBC Vermogensbeheerders Services (NVS), Third Party Execution (TPS) and Specialised Asset Management (SAM) are no longer part of the strategic priorities of NIBC Holding. Because of the current and expected scale and profitability, increasing regulatory pressures and the related deployment of scarce resources it was decided to discontinue with these services in the first half of 2017. After receipt of a positive advice of the Work Council the reorganisation by NIBC Markets commenced. The expectation is that the reorganisation by NIBC Markets will be completed before the end of 2017.

Further integration of NIBC Markets N.V. within NIBC Bank N.V.

To fully integrate NIBC Markets N.V. into NIBC Bank N.V. it was legally merged with NIBC Bank N.V. in June 2017. Post merger the sales activities of business unit Markets are incorporated into operating segment Corporate Banking. The support functions are executed by the appropriate departments of NIBC Bank N.V. The positions –bonds and equity portfolio- within business unit Markets are managed as part of the trading book of NIBC Bank N.V..

35. Subsequent events

There are no subsequent events.

The Hague, 22 August 2017

Managing Board

Paulus de Wilt , *Chief Executive Officer and Chairman*
Herman Dijkhuizen, *Chief Financial Officer and Vice-Chairman*
Reinout van Riel, *Chief Risk Officer*

REVIEW REPORT

To: the Managing Board and the Supervisory Board of NIBC Holding N.V.

Review report

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of NIBC Holding N.V., The Hague, which comprises the consolidated balance sheet as at 30 June 2017 and the condensed consolidated income statement, the consolidated statements of comprehensive income, the consolidated statement of changes in shareholder's equity and the condensed consolidated statement of cash flows for the 6-month period then ended 30 June 2017, and the notes, comprising a summary of the significant accounting policies and other explanatory information.

Management Board is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the 6-month period ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 22 August 2017

Ernst & Young Accountants LLP

Signed by N.Z.A. Ahmed-Karim

DISCLAIMER

Presentation of information

The Annual Accounts of NIBC Holding N.V. ('NIBC Holding') are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU') and with Title 9 of Book 2 of The Netherlands Civil Code. In preparing the financial information in this condensed consolidated interim financial report (NIBC Holding N.V.) for the six months period ended 30 June 2017 (the 'Financial Report'), the same accounting principles are applied as in the 2016 NIBC Holding's Annual Accounts, save for any change described in the Accounting policies. The figures in this Financial Report have been reviewed by the external auditor. Small differences are possible in the tables due to rounding.

Cautionary statement regarding forward-looking statements

Certain statements in this Financial Report are not historical facts and are 'forward-looking' statements that relate to, among other things, NIBC Holding's business, result of operation, financial condition, plans, objectives, goals, strategies, future events, future revenues and/or performance, capital expenditures, financing needs, plans or intentions, as well as assumptions thereof. These statements are based on NIBC Holding's current view with respect to future events and financial performance. Words such as 'believe', 'anticipate', 'estimate', 'expect', 'intend', 'predict', 'project', 'could', 'may', 'will', 'plan' and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve uncertainties and are subject to certain risks, including, but not limited to (i) general economic conditions, in particular in NIBC Holding's core and niche markets, (ii) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness (iii) performance of financial markets, including developing markets, (iv) interest rate levels, (v) credit spread levels, (vi) currency exchange rates, (vii) general competitive factors, (viii) general changes in the valuation of assets (ix) changes in law and regulations, including taxes (x) changes in policies of governments and/or regulatory authorities, (xi) the results of our strategy and investment policies and objectives and (xii) the risks and uncertainties as addressed in this Financial Report, the occurrence of which could cause NIBC Holding's actual results and/or performance to differ from those predicted in such forward-looking statements and from past results.

The forward-looking statements speak only as of the date hereof. NIBC Holding does not undertake any obligation to update or revise forward-looking statements contained in this Financial Report, whether as a result of new information, future events or otherwise. Neither do NIBC Holding nor any of its directors, officers, employees do make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.