CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT 2018 NIBC BANK N.V.

NIBC

TABLE OF CONTENTS

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CONDENSED CONSOLIDATED INCOME STATEMENT

in EUR millions	note[1]	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Interest and similar income	2	295	274
Interest expense and similar charges	2	80	97
Net interest income		**215**	**177**
Fee and commission income	3	21	20
Fee and commission expense	3	-	-
Net fee and commission income		**21**	**20**
Investment income	4	21	27
Net trading income	5	2	8
Net income from assets and liabilities at fair value through profit or loss	6	(1)	(6)
Net gain or (losses) on derecognition of financial assets measured at amortised cost		-	-
Other operating income		-	-
Operating income		**258**	**226**
Personnel expenses and share-based payments	7	51	54
Other operating expenses	8	47	39
Depreciation and amortisation		3	3
Regulatory charges and levies	9	9	9
Operating expenses		**110**	**105**
Credit loss expense / (recovery)	10	21	12
Profit before tax		**127**	**109**
Tax	11	26	22
Profit after tax		**101**	**87**
Attributable to:			
Shareholders of the parent company		95	87
Holders of capital securities[2]		6	-
Non-controlling interests		-	-

1 References relate to the accompanying notes. These form an integral part of the condensed consolidated interim financial report.
2 The attribution of profit after tax as included in the Condensed Consolidated Income Statement includes the EUR 3 million paid coupon on Capital Securities, related to the period of 1 January 2018 until the coupon payment date and the calculated discretionary coupon of EUR 3 milion related to the period after the coupon payment date until the balance sheet date (30 June 2018). As this relates to a discretionary coupon the amount is not recognised as an accrual.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR millions	For the period ended 30-Jun-18			For the period ended 30-Jun-17		
	Before tax	Tax charge/ (credit)	After tax	Before tax	Tax charge/ (credit)	After tax
Profit for the period	**127**	**26**	**101**	**109**	**22**	**87**
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Revaluation of property and equipment	-	-	-	-	-	-
Movement in the fair value of own credit risk of financial liabilities designated at fair value through profit or loss	2	1	1	(19)	(5)	(14)
Items that may be reclassified subsequently to profit or loss						
Net result on hedging instruments	(8)	(2)	(6)	(17)	(4)	(13)
Financial assets at available-for-sale						
Revaluation of loans and receivables	-	-	-	16	4	12
Revaluation of equity investments	-	-	-	3	1	2
Revaluation of debt investments	-	-	-	6	1	5
Financial assets measured at fair value through other comprehensive income						
Movement in revaluation reserves for debt investments at FVOCI	(2)	(1)	(1)	-	-	-
Net result on financial assets at FVOCI to profit or loss on disposal	-	-	-	-	-	-
Total other comprehensive income	**(9)**	**(2)**	**(7)**	**(11)**	**(3)**	**(8)**
Total comprehensive income	**118**	**24**	**94**	**98**	**19**	**79**
Total comprehensive income attributable to:						
Shareholders of the parent company	112	24	88	98	19	79
Holders of capital securities	6	-	6	-	-	-
Non-controlling interests	-	-	-	-	-	-
Total comprehensive income	**118**	**24**	**94**	**98**	**19**	**79**

CONSOLIDATED BALANCE SHEET

Assets

in EUR millions	note[1]	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Financial assets at amortised cost			
Cash and balances with central banks		1,580	1,604
Due from other banks		847	962
Loans and receivables			
Loans	12	7,861	7,749
Mortgage loans	13	9,381	4,412
Securitised mortgage loans	14	-	-
Debt investments	15	-	59
Financial assets available-for-sale			
Equity investments		-	36
Debt investments	16	-	823
Financial assets at fair value through other comprehensive income			
Debt investments	17	743	-
Financial assets at fair value through profit or loss (including trading)			
Loans	18	122	181
Mortgage loans	19	-	4,581
Securitised mortgage loans	20	-	338
Equity investments (including investments in associates)		330	287
Debt investments	21	85	31
Derivative financial instruments		829	1,021
Other			
Investments in associates and joint ventures (equity method)		10	10
Property and equipment		43	44
Current tax	22	40	1
Deferred tax assets	22	5	8
Other assets		52	62
Total assets		**21,928**	**22,209**

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

Please refer to the accounting policies for the transition effect as per 1 January 2018 to IFRS 9.

Liabilities and equity

in EUR millions	note[1]	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Financial liabilities at amortised cost			
Due to other banks		1,737	1,835
Deposits from customers		11,262	11,535
Own debt securities in issue	23	5,316	4,392
Debt securities in issue related to securitised mortgages and lease receivables	24	-	267
Financial liabilities at fair value through profit or loss (including trading)			
Own debt securities in issue	25	39	38
Debt securities in issue structured	26	386	616
Derivative financial instruments		762	863
Other financial liabilities		1	-
Other			
Provisions	27	2	-
Other liabilities		70	111
Current tax		31	1
Deferred tax liabilities		6	4
Employee benefits		3	3
Subordinated liabilities			
Amortised cost	28	114	115
Fair value through profit or loss	29	174	167
Total liabilities		**19,903**	**19,947**
Equity			
Share capital	30	80	80
Share premium		238	238
Other reserves		86	93
Retained earnings including profit for the period		1,421	1,651
Equity attributable to the parent company		**1,825**	**2,062**
Capital securities	31	200	200
Total equity		**2,025**	**2,262**
Total liabilities and equity		**21,928**	**22,209**

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Attributable to:								
in EUR millions	Share capital	Share premium	Revaluation reserves[1]	Retained earnings	Profit after tax	Equity of the parent company	Capital securities (non-controlling interest)	Equity attributable to other non-controlling interests	Total equity
Balance at 1 January 2018 before the adoption of IFRS 9	**80**	**238**	**93**	**1,469**	**182**	**2,062**	**200**	**-**	**2,262**
Effect of adoption of IFRS 9	-	-	-	(260)	-	(260)	-	-	(260)
Restated balance at 1 January 2018 after the adoption of IFRS 9	**80**	**238**	**93**	**1,209**	**182**	**1,802**	**200**	**-**	**2,002**
Transfer of net profit 2017 to retained earnings	-	-	-	150	(150)	-	-	-	-
Total comprehensive income for the period ended 30 June 2018	-	-	(7)	-	101	94	-	-	94
Other	-	-	-	2	-	2	-	-	2
Distributions:									
- Paid coupon on capital securities	-	-	-	(4)	(3)	(7)	-	-	(7)
- Paid dividend 2017	-	-	-	-	(66)	(66)	-	-	(66)
Balance at 30 June 2018	**80**	**238**	**86**	**1,357**	**64**	**1,825**	**200**	**-**	**2,025**

1 Revaluation reserves include hedging reserve.

in EUR millions	Attributable to: Share capital	Share premium	Revaluation reserves[1]	Retained earnings	Profit after tax	Equity of the parent company	Capital securities (non-controlling interest)	Equity attributable to other non-controlling interests	Total equity
Balance at 1 January 2017	**80**	**238**	**156**	**1,393**	**102**	**1,969**	**-**	**-**	**1,969**
Transfer of profit after tax 2016 to retained earnings	-	-	-	102	(102)	-	-	-	-
Total comprehensive income for the period ended 30 June 2017	-	-	(8)	-	87	79	-	-	79
Distributions:									
- Paid dividend 2016	-	-	-	(25)	-	(25)	-	-	(25)
Balance at 30 June 2017	**80**	**238**	**148**	**1,470**	**87**	**2,023**	**-**	**-**	**2,023**

1 Revaluation reserves include hedging reserve.

Available Distributable Amount

in EUR millions	For the period ended 30-Jun-18
Equity[1]	1,825
Share capital	(80)
Within retained earnings	(63)
Revaluation reserves	(33)
Legal reserves profit participation	(1)
Legal reserves	**(97)**
Available distributable amount	**1,648**

1 Excluding capital securities and non-controlling interests.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Operating profit before tax	105	87
Non-cash items recognised in operating before tax	23	71
Net change in assets and liabilities relating to operating activities	(484)	592
Cash flows from operating activities[1]	**(356)**	**750**
Cash flows from investing activities	(21)	(27)
Cash flows from financing activities	358	81
Net change in cash and cash equivalents	**(19)**	**804**
Cash and cash equivalents at 1 January	**1,744**	**1,175**
Net foreign exchange difference	3	(3)
Net changes in cash and cash equivalents	(19)	807
Cash and cash equivalents at 30 June	**1,728**	**1,979**
Reconciliation of cash and cash equivalents:[2]		
Cash and balances with central banks (maturity three months or less)	1,431	1,635
Due from other banks (maturity three months or less)	297	344
	1,728	**1,979**

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 Bank N.V., together with its subsidiaries (NIBC or the Group), is incorporated and domiciled in the Netherlands, and is a 100% subsidiary of NIBC Holding N.V. (NIBC Holding).

NIBC 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; Offshore and Energy, Shipping & Intermodal; and Telecom, Media, Technology & Services. Our expertise spans senior, mezzanine and equity financing, leveraged finance, structured finance, mergers & acquisitions, capital advisory and capital market solutions and equity and fixed income brokerage and research. 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.

Basis of preparation

The condensed consolidated interim financial report for the period ended 30 June 2018 has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

This condensed consolidated interim financial report was approved by the Managing Board on 28 August 2018 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's consolidated financial statements for the year ended 31 December 2017, 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 are consistent with those set out in the notes to the 2017 consolidated financial statements of NIBC, except for the changes in accounting policies described below. NIBC's consolidated financial statements for 2017 is available on NIBC's website.

Where considered necessary comparative figures have been adjusted to conform to changes in presentation in the current year. The EURO is the functional currency of NIBC, and all figures are rounded to the nearest EUR million, except when otherwise indicated.

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.

Application of new IFRS-EU accounting standards

New standards and amendments to standards become effective at the date specified by IFRS-EU, but may allow companies to opt for an earlier application date. In the first half year of 2018, the following standards or amendments to existing standards issued by the IASB became mandatory. Note that only the amendments to IFRSs that are relevant for NIBC are discussed below.

Accounting standard/ amendment/interpretation	IASB effective date	Endorsed by EU	Early adopted by NIBC	Impact for NIBC
IFRS 9 Financial Instruments	1 January, 2018	Yes	Partially on 1 January 2016[1]	See below for comments
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January, 2019	Yes	Yes	See below for comments
IFRS 15 Revenue from Contracts with Customers	1 January, 2018	Yes	-	See below for comments
Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January, 2018	Yes	-	See below for comments
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January, 2018	Yes	-	Low
Amendments to IAS 40: Transfers of Investment Property	1 January, 2018	Yes	-	Low
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January, 2018	Yes	-	Low
Annual Improvements to IFRS Standards 2014- 2016 Cycle	1 January, 2018	Yes	-	Low

1 NIBC early applied the own credit requirements introduced by IFRS 9 in isolation, without applying the other requirements of IFRS 9 as from 1 January 2016.

IFRS 9 Financial Instruments

This section describes the update of the accounting policies following the adoption of IFRS 9 Financial instruments and the transition impact as follows:

I. Introduction

II. Update to the accounting policies concerning financial instruments related to IFRS 9

a. Classification, measurement and presentation;
b. Interest income and expense;
c. Expected credit losses (**ECL**);
d. Restructured and modified financial assets;
e. Net gain or (losses) on derecognition of financial assets measured at amortised cost.

III. Transition impact IFRS 9

a. Transition to classification and measurement requirements;
b. Transition to ECL requirements;
c. Reclassification and re-measurement of carrying amounts and recognition of ECL;
d. Reconciliation of allowances and provisions on application date of IFRS 9;
e. IFRS 9 transition impact on equity.

I. Introduction

Effective 1 January 2018, NIBC applied IFRS 9, *Financial Instruments*, which replaces IAS 39, *Financial Instruments: Recognition and Measurement* and substantially changes accounting and financial reporting in three key areas: classification and measurement of financial assets, impairment and hedge accounting. The Group has retained hedge accounting under IAS 39 as permitted and early applied the own credit requirements of IFRS 9 as from 1 January 2016 and onwards.

As permitted by the transitional provisions of IFRS 9, NIBC elected not to restate comparative figures. Any effect on the carrying amounts of financial assets and financial liabilities at the date of transition to IFRS 9 was recognised as an adjustment to retained earnings and/or the revaluation reserve of financial assets. The detailed effects of the application of IFRS 9 on 1 January 2018 are presented in this section and the updated accounting policies for classification and measurement of financial instruments and impairment of financial assets as applied from 1 January 2018 are presented in section "III. Transition impact IFRS 9".

Accounting polices set out in this section replace the items;
- Recognition of financial instruments;
- Derecognition of financial assets and financial liabilities;
- Classification of financial instruments;
- Loans and receivables at amortised cost;
- Available for sale financial assets;
- Financial instruments at fair value through profit or loss;
- Financial instruments held for trading;
- Financial instruments designated upon initial recognition at fair value through profit or loss;
- Financial liabilities;
- Reclassification;
- Impairment.

as described in NIBC Holding's Financial Statements for the year ended 31 December 2017.

II. Update to the accounting policies concerning financial instruments related to IFRS 9

a. Classification, measurement and presentation

On initial recognition, financial assets are classified as measured at amortised cost (**AC**), fair value through other comprehensive income (**FVOCI**) or fair value through profit or loss (**FVtPL**).

A debt instrument is measured at AC if it both of meets the following conditions:
- it is held within a business model that has an objective to hold financial assets to collect contractual cash flows;
- the contractual terms of the financial asset result in cash flows that are solely payments of principal and interest on the principal amount outstanding (**SPPI**).

A debt instrument is measured at FVOCI if it meets both of the following conditions:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset result in cash flows that are SPPI.

Equity instruments are accounted for at FVtPL. Other financial assets, not specifically mentioned above, are measured at FVtPL and consist of held for trading assets, assets mandatorily measured on a fair value basis and derivatives.

Business model assessment

NIBC determines the nature of the business model, for example if the objective is to hold the financial asset and collect the contractual cash flows, by considering the way in which the financial assets are managed to achieve a particular business objective as determined by management.

Financial assets that are held for trading or managed on a fair value basis are measured at FVtPL insofar as the associated business model is neither to hold the financial assets to collect contractual cash flows nor to hold to collect contractual cash flows and sell.

The group mainly originates loans to hold to maturity and in some cases (e.g. in underwriting) to sell or sub-participate to other parties, resulting in a transfer of substantially all the risks and rewards, and derecognition of the loan or portions of it. The group considers the activities of lending to hold and lending to sell or sub-participate as two separate business models, with financial assets within the former considered to be within a business model that has an objective to hold the assets to collect contractual cash flows, and those within the latter included in a trading portfolio.

NIBC decides to determine its business models at the combination of product and sector level, e.g., corporate loan facilities in the different sectors or residential mortgages in the Netherlands.

Contractual cash flow characteristics
In assessing whether the contractual cash flows are SPPI, the Group considers whether the contractual terms of the financial asset contain a term that could change the timing or amount of contractual cash flows arising over the life of the instrument, which could affect whether the instrument is considered to meet the SPPI criteria.

The contractual provisions will pass the SPPI test as long as the interest/provisions reflects consideration for the time value of money, for the credit risk associated with the instrument during the term of the instrument and for other basic lending risks and costs, as well as profit.

A prepayment option which substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for the early termination of the contract, would result in contractual cash flows that are SPPI on the principal amount outstanding. This means that prepayment amounts will still meet the SPPI criteria even if it includes what is deemed reasonable and market conform for early compensation.

Critical accounting estimates and judgments
NIBC applies judgment when considering whether certain contractual features, such as interest rate reset frequency or prepayment features, significantly affect future cash flows. Furthermore, judgment is required when assessing non-recourse loans on cash flows that are not SPPI.

All financial instruments are initially measured at fair value. In the case of financial instruments subsequently measured at AC or FVOCI, the initial fair value is adjusted for directly attributable transaction costs.

After initial recognition, NIBC classifies measures and presents its financial assets and financial liabilities in accordance with IFRS 9 as described in the table on the following pages.

Financial assets classification Old	New	Significant items included	Measurement and presentation
Measured at AC		A debt financial asset is measured at AC if: o it is held in a business model that has an objective to hold assets to collect contractual cash flows; o the contractual terms give rise to cash flows that are SPPI. This classification includes: o cash and balances at central banks; o due from other banks; o corporate loans; o mortgage loans own book; o securitized mortgage loans; o debt securities held as high-quality liquid assets (HQLA); o fee and lease receivables.	Measured at AC using the effective interest rate (EIR) method less allowances for expected credit losses (ECL) (refer to items b and c in this section for more information). The following items are recognised in the income statement: o Interest income, which is accounted for in accordance with item b in this section; o ECL and reversals; o Foreign exchange translation gains and losses. Upfront fees and direct costs relating to loan origination, refinancing or restructuring as well as to loan commitments – when it is probable that NIBC will enter into a specific lending relationship – are deferred and amortised over the life of the loan using the EIR method. When the financial asset at AC is derecognised, the gain or loss is recognised in the income statement.
Measured at FVOCI	Debt Instruments measured at FVOCI	A debt financial asset is measured at FVOCI if: o it is held in a business model whose objective is achieved by both holding assets to collect contractual cash flows and selling the assets; o the contractual terms give rise to cash flows that are SPPI. This classification includes debt securities from legacy portfolios for which the contractual cash flows meet the SPPI conditions.	Measured at fair value with unrealised gains and losses reported in *Other comprehensive income*, net of applicable income taxes, until such investments are derecognised (when sold, collected or otherwise disposed). Upon derecognition, any accumulated balances in *Other comprehensive income* are reclassified to the income statement and reported within *Investment income*. The following items are recognised in the income statement: o Interest income, which is accounted for in accordance with item b in this section; o ECL and reversals; o Foreign exchange translation gains and losses. The amounts recognised in the income statement are determined on the same basis as for financial assets measured at AC.

Financial assets classification		Significant items included	Measurement and presentation
Old	New		
Measured at FVtPL	Held for trading	Financial assets held for trading include: o all derivatives with a positive replacement value, o other financial assets acquired principally for the purpose of selling or repurchasing in the near term, or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.	Measured at fair value with changes recognised in profit or loss. Upfront (closing) fees on financial assets measured at FVtPL are recognised in the income statement within *Net fee and commission income*. Interest income from financial assets measured at FVtPL is included in *Net interest income*. Back-ended fees or other gains and or losses than above mentioned on financial assets (not held for trading) mandatory measured at FVtPL are recognised in the income statement within *Net income from other financial instruments at FVtPL*.
	Mandatorily measured at FVtPL – Other	A financial asset is mandatorily measured at FVtPL if: o it is not held in a business model whose objective is to hold assets to collect contractual cash flows or to hold them to collect contractual cash flows and sell, and / or o the contractual terms give rise to cash flows that are not SPPI; and / or o it is not held for trading.	Back-ended fees or other gains or losses than above mentioned on financial assets held for trading mandatory measured at FVtPL are recognised in the income statement within *Net trading income*. The presentation of fair value changes on derivatives that are designated and effective as hedging instruments depends on the type of hedge relationship (refer to "Derivative financial instruments and hedging" in the "Accounting Policies" section of the NIBC Holding's Financial Statements 2017). Financial assets held for trading and other financial assets mandatorily measured at FVtPL are presented under *Financial assets at FVtPL*.

Financial assets classification		Significant items included	Measurement and presentation
Old	New		
Measured at AC		The main classes of financial liabilities at AC include amounts o due to other banks; o deposits from (corporate and retail) customers; o own debt securities in issue under the European Medium Term Note programme; o Covered Bonds and debt securities in issue related to securitised mortgages.	Measured at AC using the EIR method. Upfront fees and direct costs relating to the issuance or origination of the liability are deferred and amortised over the life of the liability using the EIR method. When the financial liability at AC is derecognised, the gain or loss is recognised in the income statement within *Net income from other financial instruments at FVtPL.*
Measured at FVtPL	Held for trading	Financial liabilities held for trading include derivatives with a negative replacement value (including certain loan commitments).	Measurement of financial liabilities classified at FVtPL follows the same principles as for financial assets classified at FVtPL, except that the amount of change in the fair value of the financial liability that is attributable to changes in NIBC's own credit risk is presented in other comprehensive income (OCI). Financial liabilities measured at FVtPL are presented as *Financial liabilities at fair value (including trading)* and *Subordinated financial liabilities designated at fair value.* Derivatives that are designated and effective as hedging instruments are also measured at fair value. The presentation of fair value changes differs depending on the type of hedge relationship (refer to "Derivative financial instruments and hedging" in the "Accounting Policies" section of the NIB Holding's Financial Statements 2017).
	Designated at FVtPL	The main classes of financial liabilities designated at FVtPL include o debt securities in issue structured that consist of notes issued with embedded derivatives; o and derivative financial liabilities used for hedging.	

b. Interest income and expense

Interest income and expense from financial instruments measured at AC and FVOCI are recognised in the income statement applying the EIR method. In determining interest income and expense, the EIR is applied to the gross carrying amount of the financial asset (unless the asset is credit-impaired) or the AC of a financial liability, based on estimated future cash flows that take into account all contractual cash flows. However, when a financial asset becomes credit-impaired after initial recognition, interest income is determined by applying EIR to the net carrying amount of the instrument. Furthermore, for financial assets that were credit-impaired on initial recognition, interest is determined by applying a credit-adjusted EIR to the AC of the instrument.

Penalty interest is directly recognised under interest income in case of early redemption ((partly) derecognition of the related financial instrument). Penalty interest, if not material on an instrument by instrument basis, is directly recognised under interest income in case of an interest reset.

Interest income from financial assets measured at FVtPL is recognised applying the contractual interest rates. Deviations between the contractual interest rates and the prevailing market rates of interest for a similar instrument (e.g. caused by performance related fees) are recognised in *Net income from assets and liabilities at FVtPL*..

Interest income or expense on financial instruments measured at AC and financial assets measured at FVOCI are presented separately within *Interest income from financial instruments measured at AC and FVOCI and Interest expense from financial instruments measured at AC,* with interest on financial instruments at FVtPL presented in *Interest income (or expense) from financial instruments measured at FVtPL*. All are part of *Net interest income* presented in the face of the income statement.

c. Expected credit losses (ECL)

NIBC recognises loss allowances for ECL on the following financial instruments that are not measured at FVtPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued;
- loan commitments issued.

No impairment loss is recognised on equity investments because they are classified at FVtPL.

Recognition of expected credit losses

ECL represents the difference between contractual cash flows and the actual cash flows NIBC expects to receive, discounted at the EIR. For loan commitments and other credit facilities in scope of ECL, expected cash shortfalls are determined by considering expected future draw downs during the contractual life of the instruments.

ECL are recognised on the following basis:

- A maximum 12-month ECL are recognised from initial recognition, reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring. Instruments in this category are referred to as instruments in stage 1. For instruments with a remaining maturity of less than 12 months, ECL are determined for this shorter period;
- Lifetime ECL are recognised if a significant increase in credit risk (**SICR**) is detected subsequent to the instrument's initial recognition, reflecting lifetime cash shortfalls that would result from all possible default events over the expected life of a financial instrument, weighted by the risk of a default occurring. Instruments in this category are referred to as instruments in stage 2. The moment SICR is no longer observed, the instrument moves back to stage 1;
- Lifetime ECL are always recognised for credit-impaired financial instruments, referred to as instruments in stage 3. The IFRS 9 determination of whether an instrument is credit-impaired is based on the occurrence of one or more loss events with lifetime ECL derived by estimating expected cash flows based on a chosen recovery strategy with additional consideration given to forward-looking economic scenarios. Credit-impaired exposures may include positions for which no loss has occurred or no allowance has been recognised, because they are expected to be fully recoverable through the collateral held. For clarity and alignment the definition of credit-impaired, stage 3 and defaulted were fully aligned. So a defaulted loan is by definition considered credit-impaired in the Capital Requirements Regulation in combination with further guidance and clarification on this definition provided by European Banking Authority;
- Changes in lifetime ECL since initial recognition are also recognised for assets that are purchased or originated credit impaired financial assets (**POCI**). POCI are initially recognised at fair value with interest income subsequently being recognised based on a credit-adjusted EIR. POCI include

financial instruments that are newly recognised following a substantial restructuring and remain a separate ECL-category until maturity.

NIBC applies the low credit risk exemption for part of the debt investments, being the liquidity portfolio. NIBC considers a debt investment to have low credit risk when their credit risk rating is equivalent to the definition of 'investment grade'.

NIBC has a portfolio of lease receivables. NIBC elected to apply the general, not the simplified, ECL approach for lease receivables.

A write-off is made when all or part of a financial asset is deemed uncollectible or forgiven. Write-offs reduce the principal amount of a claim and are charged against previously established allowances for credit losses. Recoveries, in part or in full, of amounts previously written off are credited to *Credit loss expense / recovery*. Write-offs and partial write-offs represent derecognition / partial derecognition events.

ECL are recognised in profit or loss with a corresponding ECL allowance reported as a decrease in the carrying value of financial assets measured at AC on the balance sheet. For financial assets measured at FVOCI, the carrying value is not reduced, but an accumulated amount is recognised in OCI. For off-balance sheet financial instruments and other credit lines not recognised (i.e. related to undrawn positions), provisions for ECL are reported in *Provisions*. ECL are recognised within the income statement in *Credit loss expense / recovery.*

Default and credit impairment
A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:
1. NIBC considers that the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by NIBC to actions such as realising security (if held);
2. The obligor is past due more than 90 days on any material credit obligation to the Group.

An instrument is classified as credit-impaired if the counterparty is defaulted, and / or the instrument is POCI. An instrument is POCI if it has been purchased with a material discount to its carrying amount following a risk event of the issuer or originated with a defaulted counterparty. Once a financial asset is classified as defaulted / credit-impaired (except POCIs), it remains as such unless all past due amounts have been rectified, additional payments have been made on time, the position is not classified as credit-restructured, and there is general evidence of credit recovery.

Measurement of ECL
NIBC calculates ECL's based on three probability-weighted scenarios (base, up and down turn) to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to NIBC in accordance with the contract and the cash flows that NIBC expects to receive. The key elements and principles of the ECL calculation are as follows:

12 months ECL (**12M-ECL**) / Life time ECL (**LT-ECL**): the 12M ECL / LT ECL represents the likelihood of a borrower defaulting on its financial obligation (as per "definition of default and credit-impaired" above), either over the next 12 months (12M-ECL) or over the remaining lifetime (LT-ECL) of the obligation respectively.

For LT ECL the Probability of Default (**PD**), Loss Given Default (**LGD**) and Exposure at Default (**EAD**) calculations are made for each moment that the EAD –based upon the contractual repayment schedule- is expected to change. For each of these moments a PD and LGD is assigned that reflects the moment the EAD changes and the period this EAD remains in place (so practically until the next expected repayment) based on a PD and LGD curve.

The PD, LGD and EAD are point in time (**PiT**).

Credit losses and reversals are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The measurement of the ECL is summarised as follows:

ECL	Measurement
Stage 1	The 12M-ECL is calculated as the portion of LT-ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months or a shorter period if applicable after the reporting date. NIBC calculates the 12M-ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios (base, up and down turn).
Stage 2	When a loan has shown a SICR since origination, NIBC records an allowance for the LT-ECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but ECL calculations are summed over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage 3	For loans considered credit-impaired, NIBC recognises the LT-ECL, based on facility level individual cash flow estimates determined by Restructuring & Distressed Assets (RDA). RDA applies at least three scenarios (unless it is 100% impaired) and assigns probabilities to each of these scenarios. The method is conceptually similar to that for Stage 2 assets, but requires an individual assessment.
POCI	POCI assets are financial assets that are credit impaired on initial recognition. NIBC only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.
Loan commitments and letters of credit	When estimating LT-ECLs for undrawn loan commitments, NIBC estimates the expected portion of the loan commitment that will be drawn down over its contractual life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within *Provisions*.
Financial guarantee contracts	NIBC's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, NIBC estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within *Provisions*.

Both 12M-ECL and LT-ECL are calculated on an individual basis.

Movements of the financial instruments between the different stages due to changed credit risk profiles are disclosed in the movement schedules in the notes to this condensed consolidated interim financial report. Movements between changes or credit loss allowances, caused by eventual changes in the models or in the input parameters used, are disclosed as separate items in these movement schedules.

Scenarios and scenario weights
The determination of the probability weighted ECL requires evaluating a range of diverse and relevant future economic conditions. To accommodate this requirement, NIBC uses three different economic scenarios in the ECL calculation: a benign, a baseline, and a downturn scenario. Each scenario is represented by a specific scenario narrative, which is relevant considering the exposure of key portfolios to economic risks, and for which a set of consistent macroeconomic variables is determined. Those variables range from above-trend economic growth to severe recession. A weight is computed for each scenario by using a probabilistic econometric model that considers recent information as well as several decades of historical data. The determined weights constitute the probabilities that the respective set of macroeconomic conditions will occur. The scenarios, including the narratives, the macroeconomic and financial variables and the scenario weights, are further discussed, challenged and potentially refined by a team of NIBC-internal experts. The baseline scenario is aligned to the economic and market assumptions used for NIBC business planning purposes.

Economic scenarios and weights applied

ECL scenario	Assigned weights in %
Benign	10
Baseline	65
Downturn	25

Macro-economic and other factors
The range of macroeconomic, market and other factors that is modeled as part of the scenario determination is wide, and historical information is used to support the identification of the key factors. As the forecast horizon increases, the availability of information decreases and judgment increases. The forward-looking macroeconomic assumptions used in the ECL calculation are derived from Moody's Data Buffet. NIBC has identified different segments to allow for specific risks and forecasts to be incorporated in the macroeconomic scenarios. The segments include:
- Corporate General;
- Corporate Offshore Energy;
- Corporate Shipping;
- Retail.

The Corporate General model uses parameters such as changes in the European stock market indices and European industrial production. Offshore Energy and Shipping models use parameters such as unemployment rate, changes in oil price and industrial production. The Retail model uses parameters such as unemployment rate and residential property indices.

Scenarios and weights are updated semi-annually and submitted for approval to the Asset & Liability Committee (ALCO) of NIBC.

ECL Measurement period
With the exception of revolving facilities, for which the ECL is measured over the period NIBC is exposed to credit risk, the maximum period for which the ECL are determined is the contractual life of a financial instrument unless NIBC has the legal right to call it earlier.

*Significant increase in credit risk (**SICR**)*
Financial instruments subject to ECL are monitored on an ongoing basis. To determine whether the recognition of a 12M-ECL continues to be appropriate, it is assessed whether SICR has occurred since initial recognition of the financial instrument. The assessment criteria include both quantitative and qualitative factors. Qualitative factors are forbearance measures, Watch List and/or managed by RDA and the quantitative factor is a number of notches downgrades since origination.

The notches downgrade threshold applied varies depending on the original credit quality of the borrower. For instruments with lower default probabilities at inception due to good credit quality of the counterparty, the SICR threshold is set at a higher number of notches downgrade than for instruments with higher default probabilities at inception. This implies that for instruments with initially lower default probabilities a relatively higher deterioration in credit quality is needed to trigger a SICR than for those instruments with originally higher PDs. The SICR assessment based on PD changes is made at an individual financial asset level evaluating the change in PD level compared to the original PD. A change of 1 notch is considered one step (e.g. 1 to 2+) in the following table.

Rating	Baseline PD	SICR Trigger
1	0.05%	-7
2+	0.06%	-6
2	0.07%	-5
2-	0.08%	-4
3+	0.10%	-3
3	0.13%	-3
3-	0.16%	-3
4+	0.21%	-3
4	0.29%	-3
4-	0.40%	-2
5+	0.56%	-2
5	0.81%	-2
5-	1.19%	-2
6+	1.79%	-2
6	2.77%	-2
6-	4.37%	-2
7+	7.06%	-1
7	11.66%	-1
7-	19.70%	-1
8	34.04%	Stage 3
9	100.00%	Stage 3
10	100.00%	Stage 3

Irrespective of the SICR assessment based on default probabilities, credit risk is deemed to have significantly increased for an instrument if the borrower becomes more than 30 days past due (probation period) on his contractual payments (this trigger is captured via the Watch List). This presumption is rebutted only where reasonable and supportable information is available that demonstrates that NIBC is not exposed to SICR even if contractual payments become more than 30 days past due.

Critical accounting estimates and judgments
The calculation of ECL requires management to apply significant judgment and make estimates and assumptions that involve significant uncertainty at the time they are made. Changes to these

estimates and assumptions can result in significant changes to the timing and amount of ECL to be recognised.

Determination of a significant increase of credit risk
IFRS 9 does not include a definition of what constitutes SICR. NIBC assesses whether an SICR has occurred since initial recognition based on qualitative and quantitative reasonable and supportable forward-looking information that includes significant management judgment. More stringent criteria could significantly increase the number of instruments migrating to stage 2.

Scenarios, scenario weights and macroeconomic factors
ECL reflect an unbiased and probability-weighted amount, which NIBC determines by evaluating a range of possible outcomes. Management selects forward-looking scenarios and judges the suitability of respective weights to be applied. Changes in the scenarios and weights, the corresponding set of macroeconomic variables and the assumptions made around those variables for the forecast horizon would have a significant effect on the ECL.

ECL measurement period
Lifetime ECL are determined based upon the contractual maturity of the transaction (other than revolving facilities), which significantly affects ECL. The ECL calculation is therefore sensitive to any extension of contractual maturities triggered by business decisions, consumer behaviour and an increased number of stage 2 positions.

Modelling and management adjustments
A number of complex models have been developed or modified to calculate ECL, with additional management adjustments required. Internal counterparty rating changes, new or revised models and data may significantly affect ECL. The models are governed by NIBC's risk department, which aims to ensure independent verification.

Changes to the assumptions in the models are subject to approval by the Risk Management Committee (**RMC**) or Asset & Liability Committee (**ALCO**) of NIBC.

d. Derecognition, restructured and modified financial assets
When a counterparty is in financial difficulties or where default has already occurred, NIBC may restructure financial assets by providing concessions that would otherwise not be considered and that are outside of NIBC's normal risk appetite, such as preferential interest rates, extension of maturity and subordination. When a credit restructuring takes place, each case is considered individually and the counterparty is classified as defaulted until the loan is collected or written off, non-preferential conditions are granted that supersede the preferential conditions, or until the counterparty has recovered and the preferential conditions no longer exceed NIBC's risk appetite.

Concessions granted when there is no evidence of financial difficulties, or where changes to terms and conditions are within NIBC's usual risk appetite, are not considered to be a credit restructuring.

Modifications represent contract amendments that result in an alteration of future contractual cash flows and that can occur within NIBC's normal risk appetite or as part of a credit restructuring where a counterparty is in financial difficulties.

NIBC derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised in the income statement. If the new discounted present value is at least 10% different and greater than EUR 1 million from the original financial assets carrying value, NIBC considers the modification as substantial. Qualitative thresholds to decide whether a modification is substantial are change in currency or change in counterparty. Where the modification does not result in a derecognition, any difference between the modified contractual cash flows discounted at the original EIR and the existing gross carrying value of a financial asset is recognised in profit or loss as a modification gain or loss. Further, the subsequent SICR assessment is made by comparing the risk of default at the reporting date based on the modified contractual terms of the financial asset with the risk of default at initial recognition based on the original, unmodified contractual terms of the financial asset.

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) NIBC transfers substantially all the risks and rewards of ownership, or (ii) NIBC neither transfers nor retains substantially all the risks and rewards of ownership and NIBC has not retained control.

e. Net gain or (losses) on derecognition of financial assets measured at AC

The line item *Net gain or (losses) on derecognition of financial assets measured at AC* includes the differences between the carrying value just before derecognition and total consideration received at the sale of a financial asset measured at AC.

III. Transition impact IFRS 9

a. Transition to classification and measurement requirements

For NIBC, the most significant IFRS 9 classification and measurement changes on transition to IFRS 9 are as follows:

- the mortgage loans own book and securitized mortgage loans formerly designated at FVtPL are reclassified to AC;
- within the corporate loan portfolio certain loans formerly classified at FVtPL are reclassified to AC, and vice versa;
- debt investments formerly classified as available-for-sale are reclassified to FVOCI, AC or for a small part to FVtPL;
- equity investments formerly classified as available-for-sale are reclassified to FVtPL.

Except for the reclassification effect of mortgage loans designated at FVtPL to AC, NIBC notes there is a limited impact on equity related to changes in classification. The negative reclassification effect of mortgage loans designated at FVtPL to AC is EUR 321 million, which is the result of revoking the previous fair value designation. Consequently the reclassification effect is equal to the fair value adjustment after initial recognition of the relevant mortgage loans designated at FVtPL as per 31 December 2017. The impact was primarily driven by market interest rates as these have had a material impact on the fair value development of the portfolio. The reclassification effect of mortgage loans designated at FVtPL to AC on the regulatory capital leads to a decrease of the fully loaded CET 1 ratio of NIBC of approximately 3.6% at 1 January 2018.

The gross fair value gain that would have been recognised in the income statement over the period ended 30 June 2018 if the mortgage loans (own book and securitised) had not been reclassified from FVtPL to AC at 1 January 2018 amounts to EUR 15 million.

The EIR of the different financial instruments is not significantly affected as a result of the reclassifications and re-measurements due to the application of IFRS 9.

Effect on NIBC income statement presentation
Upon application of IFRS 9, the above mentioned reclassifications result in moves in the interest income and expense from these instruments between the different classifications. These changes have been applied prospectively from 1 January 2018.

b. Transition to expected credit loss requirements
As set out in the Group's amended accounting policies in section II c, estimating ECL requires, amongst others, considerations of multiple forward-looking scenarios, whereby the final ECL is an average of the ECLs calculated under the different scenarios. In 2018, NIBC continues to re-assess and update all forward-looking assumptions used in the model.

As from 1 January 2018, key decisions were implemented into ECL models and risk management processes. All relevant ECL models have been validated by a third party. Furthermore risk and finance processes and systems have been adjusted to support the required ECL-calculations, administrative processing and reporting. In 2018, NIBC continues to refine and further improve all related processes.

Following the transition to IFRS 9, a more volatile impairment charge is expected on the back of macroeconomic predictions.

With the introduction of IFRS 9, NIBC will no longer report incurred but not reported (IBNR) impairment losses. This will partially offset the impact of ECL impairment allowances.

The table on the following page provides a detailed overview of the IFRS 9 transition effects as of 1 January 2018. This includes:
- reclassification of IAS 39 carrying amounts to the new categories applicable under IFRS 9;
- remeasurement of carrying amounts due to reclassification;
- recognition of IFRS 9 ECL and reversal of IAS 39 allowances.

The following table also includes the effects recognised for deferred tax assets and therefore the total impact provided in *Equity* in the table is net of tax effects.

Reclassification and remeasurement of carrying amounts and recognition of ECL

Assets

in EUR millions	31 December 2017 Carrying amount (IAS 39)	Reclassification (of IAS 39 carrying amount)	Remeasurement due to reclassification	Recognition of ECL	1 January 2018 Carrying amount (IFRS 9)
Financial assets at amortised cost					
Cash and balances with central banks	1,604	-	-	-	1,604
Due from other banks	962	-	-	-	962
Loans and receivables					
Loans	**7,749**	**68**	**13**	**(9)**	**7,821**
From: Financial assets at fair value through profit or loss		180	13	(9)	
To: Financial assets at fair value through profit or loss		(112)	-	-	
Mortgage loans own book	**4,412**	**4,581**	**(299)**	**(13)**	**8,681**
From: Financial assets at fair value through profit or loss		4,581	(299)	(13)	
Securitised mortgage loans	**-**	**338**	**(22)**	**-**	**316**
From: Financial assets at fair value through profit or loss		338	(22)	-	
Debt investments	**59**	**98**	**6**	**-**	**163**
To: Financial assets at fair value through other comprehensive income		(14)	-	-	
To: Financial assets at fair value through profit or loss		(46)	-	-	
From: Financial assets available for sale		158	6	-	
Financial asset available for sale					
Equity investments	**36**	**(36)**	**-**	**-**	**-**
To: Financial assets at fair value through profit or loss		(36)	-	-	
Debt investments	**823**	**(823)**	**-**	**-**	
To: Financial assets at amortised cost		(158)	-	-	
To: Financial assets at fair value through other comprehensive income		(651)	-	-	
To: Financial assets at fair value through profit or loss		(14)	-	-	
Financial assets at fair value through other comprehensive income					
Debt investments	**-**	**665**	**-**	**(1)**	**664**
From: Financial assets at amortised cost		14	-	(1)	
From: Financial assets available for sale		651	-	-	
Financial assets at fair value through profit or loss (including trading)					
Loans	**181**	**(68)**	**(19)**	**-**	**94**
From: Financial assets at amortised cost		112	(19)	-	
To: Financial assets at amortised cost		(180)			
Mortgage loans own book	**4,581**	**(4,581)**	**-**	**-**	**-**
To: Financial assets at amortised cost		(4,581)	-	-	
Securitised mortgage loans	**338**	**(338)**	**-**	**-**	**-**
To: Financial assets at amortised cost		(338)	-	-	
Equity Investments (including investments in associates)	**287**	**36**	**-**	**-**	**323**
From: Financial assets available for sale		36	-	-	
Debt investments	**31**	**60**	**(4)**	**-**	**87**
From: Financial assets at amortised cost		46	(4)	-	
From: Financial assets available for sale		14	-	-	
Derivative financial assets	**1,021**	**-**	**-**	**-**	**1,021**

in EUR millions	31 December 2017 Carrying amount (IAS 39)	Reclassification (of IAS39 carrying amount)	Remeasurement due to reclassification	Recognition of ECL	1 January 2018 Carrying amount (IFRS 9)
Other					
Investments in associates and joint ventures (equity method)	10	-	-	-	10
Property, plant and equipment	44	-	-	-	44
Current tax	1	-	86	5	92
Deffered tax	8	-	-	-	8
Other assets	62	-	-	-	62
Total assets	**22,209**	**-**	**(239)**	**(18)**	**21,952**

Liabilities and equity

in EUR millions	31 December 2017 Carrying amount (IAS 39)	Reclassification (of IAS39 carrying amount)	Remeasurement due to reclassification	Recognition of ECL	1 January 2018 Carrying amount (IFRS 9)
Financial liabilities at amortised cost					
Due to other banks	1,835	-	-	-	1,835
Deposits from customers	11,535	-	-	-	11,535
Own debt securities in issue	4,392	-	-	-	4,392
Debt securities in issue related to securitised mortgages and lease receivables	267	-	-	-	267
Financial liabilities at fair value through profit or loss (including trading)					
Own debt securities in issue	38	-	-	-	38
Debt securities in issue structured	616	-	-	-	616
Derivative financial liabilities	863	-	-	-	863
Other					
Provisions	-	-	-	3	3
Other liabilities	111	-	-	-	111
Current tax	1	-	-	-	1
Deffered tax	4	-	-	-	4
Employee benefits	3	-	-	-	3
Subordinated liabilities					
Amortised cost	115	-	-	-	115
Fair value through profit or loss	167	-	-	-	167
Total liabilities	**19,947**	**-**	**-**	**3**	**19,950**
Equity					
Share capital	80	-	-	-	80
Share premium	238	-	-	-	238
Other reserves	93	-	(2)	2	93
Retained earnings including profit for the period	1,651	-	(239)	(21)	1,391
Equity attributable to the parent company	**2,062**	**-**	**(241)**	**(19)**	**1,802**
Capital securities (non-controlling interest)	200	-	-	-	200
Equity attributable to other non-controlling interests	-	-	-	-	-
Equity attributable to the parent company	**2,262**	**-**	**(241)**	**(19)**	**2,002**
Total liabilities and equity	**22,209**	**-**	**(241)**	**(16)**	**21,952**

d. Reconciliation of allowances and provisions

The following table provides a reconciliation from the IAS 39 (incurred) credit loss allowances to the IFRS 9 (expected) credit loss allowances recognised as of 1 January 2018 upon adoption of IFRS 9.

in EUR million	31 December 2017 Credit loss allowances (IAS 39)	Reclassification of financial instruments	Recognition of ECL	1 January 2018 Credit loss allowances (IFRS 9)
Impairment allowance for				
Cash and balances with central banks	-	-	-	-
Due from other banks	-	-	-	-
Loans amortised cost	146	(4)	8	150
Mortgages at amortised cost	2	46	13	61
Debt investments available for sale per IAS 39 / Debt investments at amortised cost under IFRS 9	-	-	-	-
Debt investments available for sale per IAS 39 / debt investments at fair value through other comprehensive income under IFRS 9	4	(4)	-	-
Debt Investments Amortised cost debt investment securities per IAS 39/ debt investments at fair value through other comprehensive income under IFRS 9	-	-	-	-
Debt Investments Amortised cost debt investment securities per IAS 39/ debt investments at fair value through profit or loss under IFRS 9	20	(20)	-	-
	172	**18**	**21**	**211**
Provisions for undrawn commitments and other financial guarantees	-	-	(3)	(3)
	172	**18**	**18**	**208**

e. IFRS 9 transition impact on equity

The following table presents the transition effects recognised in equity upon application of IFRS 9.

In EUR million	
Revaluation reserves	
Balance as at 31 December 2017 (IAS 39)	**93**
Debt Investments: remeasurement effect following reclassification	
from AFS to AC	6
from AC to FVtOCI	(1)
from AFS to FVtOCI	-
from AFS to FVtPL	1
Debt Investments: expected credt loss recognition for debt investments at fair value through other comprehensive income	1
Equity investments: remeasurement effect following reclassification from available for sale to fair value through profit or loss	(7)
Corporate income tax in relation to the above	-
Balance as at 1 January 2018 (IFRS 9)	**93**

In EUR million	
Retained earnings	
Balance as at 31 December 2017 (IAS 39)	**1,651**
Remeasurement effect from reclassification of financial assets	
from FVtPL to AC	(329)
from AC to FVtPL	(23)
from AFS to FVtPL	5
Recognition of expected credit loss including those measured at fair value through other comprehensive income	(1)
Corporate income tax in relation to the above	88
Balance as at 1 January 2018 (IFRS 9)	**1,391**
Total change in equity due to adopting IFRS 9	**(260)**

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The IASB issued amendments to IFRS 9 addresses pre-payable financial assets that would otherwise meet the 'solely payments of principal and interest' (**SPPI**) criterion would be eligible to be measured at AC or FVOCI –subject to the business model assessment – if the following conditions are met: the instrument is inconsistent with the SPPI-criterion only because the party that chooses (or causes) to terminate the contract early may receive reasonable additional compensation for doing so (first eligibility condition); and the fair value of the prepayment feature is insignificant on initial recognition of the financial asset (second eligibility condition). The amendments are effective for annual periods beginning on or after 1 January 2019. NIBC early adopted the amendments to IFRS 9 as per 1 January 2018. These amendments to IFRS 9 did not have a significant impact on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

Effective from 1 January 2018, NIBC applied IFRS 15 'Revenue from Contracts with Customers' (**IFRS 15**), which replaces IAS 18 'Revenue' and establishes principles for revenue recognition that apply to all contracts with customers except those relating to financial instruments and insurance or lease contracts and requires an entity to recognize revenue as performance obligations are satisfied. The adoption of IFRS 15 did not have a material effect on the Group's interim financial statements.

Clarifications to IFRS 15 Revenue from Contracts with Customers

On 12 April 2016, the IASB has issued amendments to its new revenue standard, IFRS 15 Revenue from Contracts with Customers. The amendments address implementation questions that were discussed by the Joint Transition Resource Group for Revenue Recognition on: identifying performance obligations; application guidance on principal versus agent and licenses of intellectual property; and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying it.

NIBC applied these amendments as from the effective date of 1 January 2018.

IFRIC 22, Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after 1 January 2018. The adoption of this IFRS Interpretation did not have a material effect on the Group's interim financial statements.

Amendments to IAS 40 Transfers of Investment Property

The IASB has amended the requirements in IAS 40 Investment property on when a company should transfer a property asset to, or from, investment property. Under the amended IAS 40, a property asset is transferred when, and only when, there is evidence of an actual change in its use. The amendments apply for annual periods beginning on or after 1 January 2018. The adoption of the amendments to IAS 40 did not have a material effect on the Group's interim financial statements.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments are effective for annual periods beginning on or after 1 January 2018. The adoption of these amendments did not have a material effect on the Group's interim financial statements.

Annual Improvements to IFRS Standards 2014- 2016 Cycle

This cycle contains amendments to the following standards:

IFRS	Subject of amendment
IFRS 1 First-time Adoption of International Financial Reporting Standards	Deletion of short-term exemptions, because they have served their intended purpose
IFRS 12 Disclosure of Interests in Other Entities	Clarification of the scope of the standard by specifying that disclosure requirements in the standard apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
IAS 28 Investments in Associates and Joint Ventures	Clarified that the election to measure at FVtPL an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition

Only IFRS 12 Disclosure of Interests in Other Entities (effective as from 1 January 2017) and IAS 28 Investments in Associates and Joint Venture (effective as from 1 January 2018) are relevant for NIBC. Both amendments do not have significant impact on NIBC's Annual report.

Future application of new IFRS-EU accounting standards

Below standards and amendments to existing standards, published prior to 30 June, 2018, were not early adopted by the Group, but will be applied in future years. Note that only the amendments to IFRSs that are relevant for NIBC are presented in the following table.

Accounting standard/ amendment/ interpretation	IASB effective date	Endorsed by EU	Early adopted by NIBC	Impact for NIBC Holding
IFRS 16 Leases	1 January, 2019	Yes	No	Low
IFRIC 23 Uncertainty over Income Tax Treatments	1 January, 2019	Not yet	No	Low
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January, 2019	Not yet	No	Low
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January, 2019	Not yet	No	Low
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January, 2019	Not yet	No	Low
Amendments to References to the Conceptual Framework in IFRS Standards	1 January, 2019	Not yet	No	Low

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 Bank. 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

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, Infrastructure & Renewables, Industries & Manufacturing, Telecom, Media, Technology & Services. Furthermore, we are active in two global sectors in which we have longstanding expertise: Offshore Energy 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 objectives. 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 client offering and Retail client offering 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 Banking and Retail Banking are largely funded internally with transfer pricing, the majority of NIBC'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..

NIBC 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 periods ended 30 June 2018 and 30 June 2017.

	For the period ended 30 June 2018			
in EUR millions	Corporate client offering	Retail client offering	Treasury & Group functions	Total (consolidated financial report)
Net interest income	101	65	48	215
Net fee and commission income	15	5	-	21
Investment income	21	-	-	21
Net trading income	1	-	2	2
Net income from assets and liabilities at fair value through profit or loss	3	-	(4)	(1)
Net gain or (losses) on derecognition of financial assets measured at amortised cost	-	-	-	-
Other operating income	-	-	-	-
Operating income	**141**	**71**	**46**	**258**
Regulatory charges and levies	-	4	5	9
Other operating expenses[1]	57	26	18	101
Operating expenses	**57**	**30**	**23**	**110**
Credit loss expense / (recovery)	24	(3)	(1)	21
Profit before tax	**60**	**43**	**24**	**127**
Tax	10	11	5	26
Profit after tax	**50**	**32**	**19**	**101**
Attributable to:				
Shareholder of the parent company				95
Holders of capital securities				6
Non-controlling interests				-
Total FTEs	485	131	38	654
EC Usage (start of the year)	914	206	227	1,347
Available capital (start of the year)				1,738
ROE (SBU based on EC Usage)	10.9%	31.6%	17.0%	14.2%
ROE (on available capital)				11.0%
Cost/income ratio	41%	43%		43%
Segments assets	8,295	9,198	4,435	21,928
Return on assets	1.2%	0.7%	0.9%	0.9%
Risk weighted assets	6,651	1,264	707	8,622

1 Other operating expenses includes all operating expenses except regulatory charges and levies.

in EUR millions	For the period ended 30 June 2018 The Netherlands	Germany	United Kingdom	Belgium	Total
Operating income	212	35	6	4	258
Operating expenses	83	18	7	2	110
Credit loss expense / (recovery)	17	4	-	-	21
Profit before tax	**112**	**13**	**(1)**	**3**	**127**
Tax	20	5	-	-	26
Profit after tax	**92**	**8**	**(2)**	**2**	**101**
FTEs	536	78	34	5	654

Operating income per sector per country

in EUR millions	For the period ended 30 June 2018 The Netherlands	Germany	United Kingdom	Belgium	Total
Corporate Client Offering					
Commercial Real Estate (CRE)	30	-	-	-	30
Food, Agriculture, Retail & Health (FAR&H)	8	5	-	-	13
Industries & Manufacturing (I&M)	11	5	-	-	17
Infrastructure & Renewables (I&R)	13	3	3	-	18
Offshore Energy (OE)	8	-	-	-	8
Shipping & Intermodal S&I)	8	-	-	-	8
Telecom, Media, Technology & Services (TMT&S)	11	5	-	-	16
Other Corporate Client Offering	30	-	1	-	31
Retail Client Offering	52	15	-	4	71
Treasury	41	2	3	-	45
	212	**35**	**6**	**4**	**258**

	For the period ended 30 June 2017			
in EUR millions	Corporate client offering	Retail client offering	Treasury & Group functions	Total (consoli-dated financial report)
Net interest income	99	63	15	177
Net fee and commission income	19	1	-	20
Investment income	26	-	-	27
Net trading income	5	-	3	8
Net income from other financial instruments at fair value through profit or loss	2	(5)	(3)	(6)
Net gain or (losses) on derecognition of financial assets measured at amortised cost	-	-	-	-
Other operating income	-	-	-	-
Operating income	**151**	**60**	**15**	**226**
Regulatory charges and levies	-	5	4	9
Other operating expenses[1]	56	23	17	96
Operating expenses	**56**	**28**	**21**	**105**
Impairments of financial assets	12	-	-	12
Profit before tax	**83**	**33**	**(6)**	**109**
Tax	15	8	(1)	22
Profit after tax	**68**	**25**	**(5)**	**87**
Attributable to:				
Shareholder of the parent company				87
Holder of capital securities				-
Non-controlling interests				-
Total FTEs	478	121	74	673
EC Usage (start of the year)	1,154	363	138	1,656
Available capital (start of the year)				1,944
ROE (SBU based on EC Usage)	11.7%	13.5%	-7.0%	10.6%
ROE (on available capital)				8.9%
Cost/income ratio	37%	46%		46%
Segments assets	8,523	9,075	6,171	23,769
Return on assets	1.6%	0.6%	-0.2%	0.7%
Risk weighted assets	6,436	1,342	995	8,773

1 Other operating expenses includes all operating expenses except regulatory charges and levies.

in EUR millions	For the period ended 30 June 2017 The Netherlands	Germany	United Kingdom	Belgium	Total
Operating income	187	29	5	5	226
Operating expenses	88	12	4	1	105
Impairments of financial assets	12	-	-	-	12
Profit before tax	**87**	**17**	**1**	**4**	**109**
Tax	20	1	-	-	22
Profit after tax	**67**	**16**	**1**	**3**	**87**
FTEs	552	85	32	4	673

Operating income per sector per country

in EUR millions	For the period ended 30 June 2017 The Netherlands	Germany	United Kingdom	Belgium	Total
Corporate Client Offering					
Commercial Real Estate (CRE)	24	-	-	-	24
Food, Agriculture, Retail & Health (FAR&H)	10	6	-	-	16
Industries & Manufacturing (I&M)	11	6	-	-	17
Infrastructure & Renewables (I&R)	8	2	1	-	11
Offshore Energy (OE)	10	-	-	-	10
Shipping & Intermodal S&I)	11	-	-	-	11
Telecom, Media, Technology & Services (TMT&S)	10	6	-	-	16
Other Corporate Client Offering	44	-	2	-	45
Retail Client Offering	41	15	-	5	61
Treasury	16	(4)	3	-	15
	187	**29**	**5**	**5**	**226**

2 Net interest income

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Interest and similar income		
Interest income from financial instruments measured at amortised cost and fair value through other comprehensive income	270	207
Interest income from financial instruments measured at fair value through profit or loss	25	67
	295	**274**
Interest expense and similar charges		
Interest expense from financial instruments measured at amortised cost	76	87
Interest expense from financial instruments measured at fair value through profit or loss	4	10
	80	**97**
	215	177

The changes in H1 2018 net interest income compared to H1 2017 mainly relate to the following developments:

- With the reclassification of the fair value mortgage portfolio to amortised cost, as part of the implementation of IFRS 9, the interest income of this portfolio is now included in the interest income from financial instruments measured at amortised cost.;
- In 2017, the existing hedging portfolio of the fair value mortgage portfolio (with relatively high interest rates) has been unwound and replaced with new swaps at current (low) interest rates, a.o. to prepare for hedge accounting after implementation of IFRS 9. As a consequence, the interest expenses related to these derivatives (net between the pay and receive leg) has decreased, which is presented in interest income for financial instruments at amortised cost. This has increased net interest income by EUR 28 million;
- The average funding costs have decreased, leading to lower interest expenses. The effect has impacted the interest expense from financial instruments measured at amortised cost and as well as financial instruments measured at fair value through profit or loss.

3 Net fee and commission income

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Fee and commission income		
Investment management fees	8	5
Lending related fees	4	7
M&A fees	2	2
Originate-to-Manage	5	1
Equity Markets	2	5
	21	**20**

Under IFRS 9 and IFRS 15 some fees are recognised under the net interest income or net income from assets and liabilities at FVtPL instead of the net fee and commission income. This leads to lower lending related fees (EUR 1 million) compared to 2017.

The decrease in Equity Markets is mainly the result of the discontinuation of the non-core part of the business.

4 Investment income

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Equity investments (fair value through profit or loss)		
Gains less losses from associates	18	26
Gains less losses from other equity investments	3	-
Debt investments (fair value through other comprehensive income)		
Gains less losses from debt investments	-	1
	21	**27**

5 Net trading income

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Financial instruments mandatory measured at fair value through profit or loss		
Assets and liabilities held for trading	2	6
Other net trading income	-	2
	2	**8**

Due to the implementation of IFRS 9 regulation the classification of the financial instruments has changed from designated at fair value to mandatory at fair value. The adoption of IFRS 9 also results in a new income classification as of 2018. Net trading income is now split two new income lines in the face of the income statement; current note Net trading income (only trading book related Net trading income) and Net income from assets and liabilities at fair value through profit or Loss (note 6). For comparison purposes, the H1 2018 figures are also reported using the new income structure.

6 Net income from assets and liabilities at fair value through profit or loss

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Financial instruments		
Financial instruments designated at fair value through profit ot loss		
Mortgage loans and securitised mortgage loans (designated at fair value through profit or loss)	-	6
Financial instruments mandatory at fair value through profit or loss other than those included in net trading income		
Derivatives held for hedging		
Fair value hedges of interest rate risk	(3)	1
Cash flow hedges of interest rate risk	1	(4)
Interest rate instruments (derivatives)	(2)	(8)
Loans	(1)	-
Mortgage loans and securitised mortgage loans	(1)	-
Debt investments	2	-
Debt instruments	1	-
Other		
Foreign exchange	2	(1)
	(1)	**(6)**

Due to the implementation of IFRS9 regulation the classification of the financial instruments has changed from designated at fair value to mandatory at fair value.

Fair value hedges of interest risk rate decreased from a gain of EUR 1 million in H1 2017 to a loss of EUR 3 million in H1 2018 and can be attributed to a gain of EUR 7 million on the hedged items (H1 2017: a loss of EUR 3 million) and a loss of EUR 10 million on the hedging instruments (H1 2017: gain of EUR 4 million).

Interest rate instruments (derivatives) increased from a loss of EUR 8 million in H1 2017 to a loss of EUR 2 million in H1 2018 and includes a gain of EUR 5 million Credit Value Adjustment (CVA) of which EUR 2 million was realised on the release of the CVA balance on performing clients and EUR 3 million gain on the linear amortisation of the credit margin (H1 2017: gain of EUR 2 million), a loss of EUR 4 million due to hedge ineffectiveness (H1 2017: gain of EUR 1 million) and a loss of EUR 3 million in cross currency swaps (H1 2017: loss of EUR 5 million). Furthermore H1 2017 included a EUR 4 million loss from a prepayment penalty related to the early redemption of a funding transaction.

Debt investments increased from nihil in H1 2017 to EUR 2 million in H1 2018 and include EUR 1 million gain on a sales result and EUR 1 million revaluation result.

7 Personnel expenses and share-based payments

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Personnel expenses and share-based payments	51	54
	51	**54**

The number of Full Time Equivalents (FTE) decreased from 673 at 30 June 2017 to 654 at 30 June 2018.

8 Other operating expenses

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Other operating expenses		
Building-, housing & services expenses	2	2
Car-, travel- and accommodation expenses	2	2
Project expenses & consultants	13	8
Control and supervision	2	2
Corporate brand, brochures, (re-)presentation expenses	3	3
General personnel expenses	2	2
ICT expenses	10	9
Office costs	2	3
Other general expenses	9	7
Fees of external independent auditor	2	1
	47	**39**

9 Regulatory charges

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Resolution levy	5	4
Deposit Guarantee Scheme	4	5
	9	**9**

10 Credit loss expense / (recovery)

Financial assets

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Financial assets at amortised cost		
Loans	25	14
Mortgage loans	(4)	-
Debt investments	-	(2)
Total for on balance sheet financial assets (in scope of ECL requirements)	21	12
Off-balance sheet financial instruments and credit lines		
Mortgage loans	1	-
Irrevocable loan commitments	(1)	-
Total for off balance sheet financial instruments (in scope of ECL requirements)	-	-
	21	**12**

Non-financial assets

There were no impairments on non-financial assets for the first half of 2018 and 2017.

11 Tax

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Tax reconciliation:		
Profit before tax	**127**	**109**
Tax calculated at the nominal Dutch corporate tax rate of 25.0% (2017: 25.0%)	32	27
Impact of income not subject to tax	(8)	(7)
Result final tax assessment previous years	1	1
Effect of different tax rates other countries	1	1
	26	**22**

The impact of income not subject to tax mainly relates to income from equity investments and investments in associates, in which NIBC 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.. This results in an effective tax rate of 20.0% for the period ended 30 June 2018 (for the period ended 30 June 2017: 20.4%). The effective tax rate for the full year 2018 is expected to be in line with currently reported.

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	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Loans	7,225	7,186
Loans on group companies	562	475
Lease receivables	74	89
	7,861	**7,749**
legal maturity analysis of loans:		
Three months or less	523	419
Longer than three months but not longer than one year	732	872
Longer than one year but not longer than five years	4,550	4,463
Longer than five years	1,982	1,907
	7,787	**7,661**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	*IFRS 9* Total 2018	*IAS 39* Total 2017
Movement schedule of carrying value loans:						
Balance at 1 January					**7,661**	**8,269**
Effect of adoption of IFRS 9 per 1 January 2018					72	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**6,503**	**998**	**232**	**-**	**7,733**	
Reclassification to lease receivables	-	-	-	-	-	(89)
New financial assets originated or purchased	1,334	19	8	2	1,363	2,036
Financial assets that have been derecognised	(1,240)	(94)	(9)	-	(1,343)	(2,231)
Net remeasurement of loss allowance	(1)	(3)	(15)	(1)	(20)	-
Foreign exchange and other movements	40	15	(1)	-	54	(324)
Transfers:						
Transfer from stage 1 to stage 2	(77)	76	-	-	(1)	
Transfer from stage 2 to stage 3	-	(112)	112	-	-	
Transfer from stage 2 to stage 1	143	(142)	-	-	1	
Balance at 30 June / 31 December	**6,702**	**757**	**327**	**1**	**7,787**	**7,661**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	*IFRS 9* Total 2018	*IAS 39* Total 2017
Movement schedule of credit loss allowances on loans:						
Balance at 1 January					**146**	**204**
Effect of adoption IFRS 9 - reclassification					(4)	
Effect of adoption IFRS 9 - expected loss impairment model					8	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**9**	**16**	**126**	**-**	**150**	
Movements with no impact on credit loss allowances of financial assets in the income statement						
Transfers:						
Transfer from stage 2 to stage 3	-	(5)	5	-	-	
Write-offs	-	-	-	-	-	(74)
Unwind of discount due to passage of time stage 3 within interest income	-	-	(5)	-	(5)	(7)
Foreign exchange and other movements	-	-	7	-	7	(13)
Movements with no impact on credit loss allowances of financial assets in the income statement	**-**	**(5)**	**7**	**-**	**2**	**(94)**
Movements with impact on credit loss allowances of financial assets in the income statement						
New financial assets originated or purchased	2	-	-	-	2	61
Financial assets that have been derecognised	(2)	-	-	-	(2)	(32)
Net remeasurement of loss allowance	1	3	15	1	20	-
Unwind of discount due to passage of time stage 1 and stage 2	-	-	5	-	5	7
Transfers:						
Transfer from stage 1 to stage 2	-	1	-	-	1	
Transfer from stage 2 to stage 1	1	(2)	-	-	(1)	
Movements with impact on credit loss allowances of financial assets in the income statement	**2**	**2**	**20**	**1**	**25**	**36**
Balance at 30 June / 31 December	**11**	**13**	**153**	**1**	**177**	**146**

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Legal maturity analysis of gross investment in lease receivables:		
One year or less	28	34
Longer than one year but no longer than five years	47	56
Longer than five years	-	-
	75	**90**
Unearned future finance income on finance leases	1	1
Net investment in finance leases	**74**	**89**
Legal maturity analysis of net investment in lease receivables:		
One year or less	28	3
Longer than one year but no longer than five years	46	86
Longer than five years	-	-
	74	**89**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	*IFRS 9* Total 2018	*IAS 39* Total 2017
Movement schedule of carrying value on lease receivables:						
Balance at 1 January					**89**	**-**
Effect of adoption of IFRS 9 per 1 January 2018					-	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**89**	**-**	**-**	**-**	**89**	
Reclassification from loans	-	-	-	-	-	89
Financial assets that have been derecognised	(14)	-	-	-	(14)	-
Balance at 30 June / 31 December	**75**	**-**	**-**	**-**	**75**	**89**

13 Mortgage loans (amortised cost)

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Owner occupied mortgage loans	8,742	3,795
Buy-to-Let mortgage loans	639	617
	9,381	**4,412**
Legal maturity analysis of mortgage loans:		
Three months or less	23	-
Longer than three months but not longer than one year	22	1
Longer than one year but not longer than five years	105	4
Longer than five years	9,231	4,407
	9,381	**4,412**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	*IFRS 9* Total 2018	*IAS 39* Total 2017
Movement schedule of carrying value mortgage loans:						
Balance at 1 January					**4,412**	**3,346**
Effect of adoption of IFRS 9 per 1 January 2018					4,269	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**8,546**	**99**	**36**	**-**	**8,681**	
New financial assets originated or purchased (including transfers from consolidated SPEs)	1,102	5	1	-	1,108	1,498
Financial assets that have been derecognised (sale and/or redemption, including replenishment of consolidated SPEs)	(412)	8	(4)	-	(408)	(432)
Transfers:						
Transfer from stage 1 to stage 2	(4)	4	-	-	-	
Transfer from stage 2 to stage 3	-	(1)	1	-	-	
Transfer from stage 3 to stage 2	-	1	(1)	-	-	
Transfer from stage 3 to stage 1	2	-	(2)	-	-	
Transfer from stage 2 to stage 1	5	(5)	-	-	-	
Balance at 30 June / 31 December	**9,239**	**111**	**31**	**-**	**9,381**	**4,412**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	*IFRS 9* Total 2018	*IAS 39* Total 2017
Movement schedule of credit loss allowances on mortgage loans:						
Balance at 1 January					**2**	**2**
Effect of adoption IFRS 9 - reclassification					46	
Effect of adoption IFRS 9 - expected loss impairment model					13	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**6**	**2**	**53**	**-**	**61**	
Movements with no impact on credit loss allowances of financial assets in the income statement						
Transfers:						
Transfer from stage 3 to stage 1	1	-	(1)	-	-	
Movements with no impact on credit loss allowances of financial assets in the income statement	**1**	**-**	**(1)**	**-**	**-**	**-**
Movements with impact on credit loss allowances of financial assets in the income statement						
New financial assets originated or purchased	1	-	-	-	2	-
Financial assets that have been derecognised	-	-	(1)	-	(1)	-
Net remeasurement of loss allowance	(4)	-	-	-	(4)	-
Transfers:						
Transfer from stage 2 to stage 1	1	(1)	-	-	-	
Movements with impact on credit loss allowances of financial assets in the income statement	**(2)**	**(1)**	**(1)**	**-**	**(3)**	**-**
Balance at 30 June / 31 December	**5**	**2**	**51**	**-**	**58**	**2**

The reclassification effect related to the adoption of IFRS 9 of EUR 46 miliion relates to fully impaired residual mortgage claims.

The maximum credit exposure including committed but undrawn facilities was EUR 9,912 million at 30 June 2018 (31 December 2017: EUR 4,799 million).

14 Securitised mortgage loans (amortised cost)

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Securitised mortgage loans	-	-
	-	**-**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	*IFRS 9* Total 2018	*IAS 39* Total 2017
Movement schedule of carrying value securitised mortgage loans:						
Balance at 1 January					**-**	**-**
Effect of adoption of IFRS 9 per 1 January 2018					316	-
Restated balance at 1 January 2018 after the adoption of IFRS 9	**313**	**2**	**1**	**-**	**316**	**-**
Financial assets that have been derecognised (sale and/or redemption, including replenishment of consolidated SPEs)	(313)	(2)	(1)	-	(316)	-
Balance at 30 June / 31 December	-	-	-	-	-	-

15 Debt investments (amortised cost)

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Debt investments	-	59
	-	**59**
Debt investments can be categorised as follows:		
Listed	-	59
Unlisted	-	-
	-	**59**
Legal maturity analysis of debt investments:		
Three months or less	-	-
Longer than three months but not longer than one year	-	9
Longer than one year but not longer than five years	-	8
Longer than five years	-	42
	-	**59**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	*IFRS 9* Total 2018	*IAS 39* Total 2017
Movement schedule of carrying value debt investments:						
Balance at 1 January					**59**	**287**
Effect of adoption of IFRS 9 per 1 January 2018					104	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**163**	**-**	**-**	**-**	**163**	
New financial assets originated or purchased	-	-	-	-	-	4
Financial assets that have been derecognised	(163)	-	-	-	(163)	(233)
Net remeasurement of loss allowance	-	-	-	-	-	2
Foreign exchange and other movements	-	-	-	-	-	(1)
Balance at 30 June / 31 December	**-**	**-**	**-**	**-**	**-**	**59**

The derecognition of financial assets in the previous table reflects the sale of one USD asset (EUR 163 million).

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	*IFRS 9* Total 2018	*IAS 39* Total 2017
Movement schedule of credit loss allowances on debt investments:						
Balance at 1 January					**20**	**43**
Effect of adoption IFRS 9 - reclassification					(20)	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**-**	**-**	**-**	**-**	**-**	
Movements with no impact on credit loss allowances of financial assets in the income statement						
Write-offs	-	-	-	-	-	(21)
Movements with no impact on credit loss allowances of financial assets in the income statement	**-**	**-**	**-**	**-**	**-**	**(21)**
Movements with impact on credit loss allowances of financial assets in the income statement						
Net remeasurement of loss allowance	-	-	-	-	-	(2)
Movements with impact on credit loss allowances of financial assets in the income statement	**-**	**-**	**-**	**-**	**-**	**(2)**
Balance at 30 June / 31 December	**-**	**-**	**-**	**-**	**-**	**20**

16 Debt investments (available-for-sale)

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Debt investments	-	823
	-	**823**

For 2017, all debt investments are non-government, except for EUR 38 million.

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Listed	-	808
Unlisted	-	15
	-	**823**
Legal maturity analysis of debt investments:		
Three months or less	-	7
Longer than three months but not longer than one year	-	89
Longer than one year but not longer than five years	-	636
Longer than five years	-	91
	-	**823**

in EUR millions	IFRS 9 2018	IAS 39 2017
Movement schedule of debt investments:		
Balance at 1 January	**823**	**1,028**
Effect of adoption of IFRS 9 per 1 January 2018	(823)	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**-**	
Additions	-	276
Disposals	-	(462)
Changes in fair value	-	6
Exchange rate differences	-	(25)
Balance at 30 June / 31 December	**-**	**823**
Movement schedule of impairment losses on debt investments:		
Balance at 1 January	**4**	**11**
Effect of adoption IFRS 9 - reclassification	(4)	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**-**	
Additional allowances	-	-
Write-offs	-	(7)
Amounts released	-	-
Other (including exchange rate differences)	-	-
Balance at 30 June / 31 December	**-**	**4**

17 Debt investments (fair value through other comprehensive income)

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Debt investments	743	-
	743	**-**

For 2018, all debt investments are non-government, except for EUR 38 million.

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Listed	743	-
Unlisted	-	-
	743	**-**
Legal maturity analysis of debt investments:		
Three months or less	26	-
Longer than three months but not longer than one year	104	-
Longer than one year but not longer than five years	558	-
Longer than five years	55	-
	743	**-**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	IFRS 9 Total 2018	IAS 39 Total 2017
Movement schedule of carrying value debt investments:						
Balance at 1 January					**-**	**-**
Effect of adoption of IFRS 9 per 1 January 2018					664	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**660**	**4**	**-**	**-**	**664**	
New financial assets originated or purchased	166	-	-	-	166	-
Financial assets that have been derecognised	(87)	-	-	-	(87)	-
Changes in fair value	(2)	-	-	-	(2)	-
Foreign exchange and other movements	2	-	-	-	2	-
Balance at 30 June / 31 December	**739**	**4**	**-**	**-**	**743**	**-**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	*IFRS 9* Total 2018	*IAS 39* Total 2017
Movement schedule of credit loss allowances on debt investments:						
Balance at 1 January					**-**	**-**
Effect of adoption IFRS 9 - expected loss impairment model					1	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**-**	**1**	**-**	**-**	**1**	
Balance at 30 June / 31 December	**-**	**1**	**-**	**-**	**1**	**-**

18 Loans (fair value through profit or loss)

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Loans	122	181
	122	**181**
Legal maturity analysis of loans:		
Three months or less	1	-
Longer than three months but not longer than one year	19	-
Longer than one year but not longer than five years	82	47
Longer than five years	20	134
	122	**181**

in EUR millions	*IFRS 9* 2018	*IAS 39* 2017
Movement schedule of loans:		
Balance at 1 January	**181**	**210**
Effect of adoption of IFRS 9 per 1 January 2018	(87)	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**94**	
Additions	39	-
Disposals	(11)	(24)
Changes in fair value	(1)	1
Other (including exchange rate differences)	1	(6)
Balance at 30 June / 31 December	**122**	**181**

19 Mortgage loans (fair value through profit or loss)

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Mortgage loans own book	-	4,581
	-	**4,581**
Legal maturity analysis of mortgage loans own book:		
Three months or less	-	15
Longer than three months but not longer than one year	-	26
Longer than one year but not longer than five years	-	87
Longer than five years	-	4,453
	-	**4,581**

in EUR millions	IFRS 9 2018	IAS 39 2017
Movement schedule of mortgage loans own book:		
Balance at 1 January	**4,581**	**4,124**
Effect of adoption of IFRS 9 per 1 January 2018	(4,581)	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**-**	
Additions (including transfers from consolidated SPEs)	-	1,035
Disposals (sale and / or redemption, including replenishment of consolidated SPEs)	-	(570)
Changes in fair value	-	(8)
Balance at 30 June / 31 December	**-**	**4,581**

20 Securitised mortgage loans (fair value through profit or loss)

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Securitised mortgage loans	-	338
	-	**338**
Legal maturity analysis of securitised mortgage loans:		
Three months or less	-	1
Longer than three months but not longer than one year	-	2
Longer than one year but not longer than five years	-	10
Longer than five years	-	325
	-	**338**

in EUR millions	IFRS 9 2018	IAS 39 2017
Movement schedule of securitised mortgage loans:		
Balance at 1 January	**338**	**1,550**
Effect of adoption of IFRS 9 per 1 January 2018	(338)	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**-**	
Additions	-	-
Disposals (sale and / or redemption including transfers to own book)	-	(1,129)
Changes in fair value	-	(83)
Balance at 30 June / 31 December	**-**	**338**

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

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Held for trading (mandatory fair value through profit or loss)	85	31
	85	**31**

in EUR millions	IFRS 9 2018	IAS 39 2017
Held for trading and effect of adoption of IFRS 9:		
Balance at 1 January	**31**	**31**
Effect of adoption of IFRS 9 per 1 January 2018	56	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**87**	

As the position relates to a trading portfolio no movement schedule is included to detail the H1 2018 movement.

22 Current and Deferred Tax

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Current Tax	40	1
	40	**1**
Deferred Tax	5	8
	5	**8**

The movement in the current tax position is primarily related to the adoption of IFRS 9 as further detailed in the accounting policies paragraph. At the balance sheet date the tax position for the fiscal unity (NIBC Holding is head of the unity) has been evaluated. The resulting EUR 55 million deferred tax asset at the head of the fiscal unity has been recognised as a receivable from NIBC Holding. NIBC Holding has recognised the corresponding liability and associated deferred tax asset of EUR 55 million as per balance sheet date.

23 Own debt securities in issue (amortised cost)

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Bonds and notes issued	5,316	4,392
	5,316	**4,392**
Legal maturity analysis of own debt securities in issue:		
Three months or less	478	1
Longer than three months but not longer than one year	1,171	1,111
Longer than one year but not longer than five years	2,190	2,288
Longer than five years	1,477	992
	5,316	**4,392**

in EUR millions	IFRS 9 2018	IAS 39 2017
Movement schedule of own debt securities in issue:		
Balance at 1 January	**4,392**	**3,855**
Additions	1,101	729
Matured / redeemed	(177)	(178)
Other (including exchange rate differences)	-	(14)
Balance at 30 June / 31 December	**5,316**	**4,392**

In the first half year of 2018 both a 5 year senior unsecured bond of EUR 500 million and a 10 year covered bond of 500 million where issued. The additions also include a EUR 16 million hedge adjustment (full year 2017: EUR 33 million).

The disposals of own debt securities in issue at amortised cost for 2018 include redemptions at the scheduled maturity date and repurchases to an amount of EUR 112 million (2017: EUR 123 million) and temporary buyback of positions for EUR 65 million (2017: EUR 55 million).

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

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Bonds and notes issued	-	267
	-	**267**
Legal maturity analysis of debt securities in issue related to securitised mortgages and lease receivables:		
Three months or less	-	267
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	-	-
	-	**267**

in EUR millions	IFRS 9 2018	IAS 39 2017
Movement schedule of debt securities in issue related to securitised mortgages and lease receivables:		
Balance at 1 January	**267**	**1,337**
Additions	-	-
Matured / redeemed	(267)	(1,070)
Other (including exchange rate differences)	-	-
Balance at 30 June / 31 December	**-**	**267**

25 Own debt securities in issue (fair value through profit or loss)

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Bonds and notes issued	39	38
	39	**38**
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	39	38
Longer than five years	-	-
	39	**38**

in EUR millions	IFRS 9 2018	IAS 39 2017
Movement schedule of own debt securities in issue:		
Balance at 1 January	**38**	**37**
Additions	2	1
Matured / redeemed	-	-
Changes in fair value	(1)	-
Other (including exchange rate differences)	-	-
Balance at 30 June / 31 December	**39**	**38**

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 recognised in Net income from assets and liabilities at fair value through profit or loss.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 37 million at 30 June 2018 (31 December 2017: EUR 36 million).

The cumulative decrease 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 nil and the change for the current year amounts is nil (2017: loss of 1 million). See note 32.7 for further information with respect to IFRS 9 Own credit risk.

26 Debt securities in issue structured (fair value through profit or loss)

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Bonds and notes issued	386	616
	386	**616**
Legal maturity analysis of debt securities in issue structured:		
Three months or less	16	-
Longer than three months but not longer than one year	10	21
Longer than one year but not longer than five years	65	280
Longer than five years	295	315
	386	**616**

in EUR millions	*IFRS 9* 2018	*IAS 39* 2017
Movement schedule of debt securities in issue structured:		
Balance at 1 January	**616**	**620**
Additions	5	39
Matured / redeemed	(259)	(29)
Changes in fair value	21	22
Other (including exchange rate differences)	3	(36)
Balance at 30 June / 31 December	**386**	**616**

The disposals of debt securities in issue designated at fair value through profit or loss for 2018 include repurchases of debt securities before the legal maturity date to an amount of EUR 259 million (31 December 2017: EUR 29 million, of which EUR 16 million related to redemptions at the scheduled maturity). 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 recognised in Net income from assets and liabilities at fair value through profit or loss.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 376 million at 30 June 2018 (2017: EUR 624 million).

The cumulative increase 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 EUR 4 million and the change for the current year is a gain of EUR 6 million recognised in other comprehensive income (31 December 2017: loss of EUR 30 million, recognised in other comprehensive income). See note 32.7 for further information with respect to IFRS 9 Own credit risk.

27 Provisions

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
ECL allowances for off-balance sheet financial instruments	2	-
	2	**-**

Under IFRS9 a credit loss provision is calculated for the issued guarantees and undrawn commitments. The credit loss provision is recorded as a liability on the balance sheet.

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	*IFRS 9* Total 2018	*IAS 39* Total 2017
Movement schedule of credit loss allowances on provisions:						
Balance at 1 January					**-**	**-**
Effect of adoption IFRS 9 - expected loss impairment model					3	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**1**	**2**	**-**	**-**	**3**	
Movements with impact on credit loss allowances of financial assets in the income statement						
Financial assets that have been derecognised	-	(1)	-	-	(1)	-
Movements with impact on credit loss allowances of financial assets in the income statement	**-**	**(1)**	**-**	**-**	**(1)**	**-**
Balance at 30 June / 31 December	**1**	**1**	**-**	**-**	**2**	**-**

28 Subordinated liabilities (amortised cost)

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Subordinated loans other	114	115
	114	**115**
Legal maturity analysis of subordinated liabilities		
One year or less	-	-
Longer than one year but not longer than five years	-	1
Longer than five years but not longer than ten years	61	63
Longer than ten years	53	51
	114	**115**

in EUR millions	IFRS 9 2018	IAS 39 2017
Movement schedule of subordinated liabilities:		
Balance at 1 January	**115**	**122**
Additions	-	-
Matured / redeemed	(3)	-
Other (including exchange rate differences)	2	(7)
Balance at 30 June / 31 December	**114**	**115**

All of the above loans are subordinated to the other liabilities of NIBC. As a result of CRR/CRDIV requirements regarding additional Tier-1 capital instruments. Non qualifying subordinated loans amount to EUR 52 million (2017: EUR 51 million). Interest expense of EUR 2 million was recognised on subordinated liabilities during the first half year of 2018 (full year 2017: EUR 5 million).

29 Subordinated liabilities (fair value through profit or loss)

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Non-qualifying as grandfathered additional Tier 1 capital	62	60
Subordinated loans other	112	107
	174	**167**
Legal maturity analysis of subordinated liabilities:		
One year or less	-	-
Longer than one year but not longer than five years	-	1
Longer than five years but not longer than ten years	-	1
Longer than ten years	174	165
	174	**167**

in EUR millions	IFRS 9 2018	IAS 39 2017
Movement schedule of subordinated liabilities:		
Balance at 1 January	**167**	**276**
Additions	2	1
Matured / redeemed	-	(126)
Changes in fair value	3	40
Other (including exchange rate differences)	2	(24)
Balance at 30 June / 31 December	**174**	**167**

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 recognised in net income from assets and liabilities at fair value through profit or loss.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 251 million at 30 June 2018 (31 December 2017: EUR 249 million).

The cumulative decrease 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 EUR 84 million and the change for the current year amounts to a loss of EUR 5 million recognised in other comprehensive income (31 December 2017: loss of EUR 38 million). See note 32.7 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 5 million was recognised on subordinated liabilities during the first half of 2018 (H1 2017: EUR 9 million).

30 Share capital

The ultimate controlling company is NIBC Holding N.V, a listed company incorporated in the Netherlands.

Share capital

in EUR millions	*IFRS 9* **30-Jun-18**	*IAS 39* 31-Dec-17
Paid-up capital	80	80
	80	**80**

	IFRS 9 **30-Jun-18**	*IAS 39* 31-Dec-17
The number of authorised shares:		
Number of authorised shares[1]	183,597,500	183,597,500
Number of shares issued and fully paid[2]	62,586,794	62,586,794
Par value per A share	1.28	1.28
Par value class B, C, D, E1 and E3 preference share	1.00	1.00
Par value class E4 preference share	5.00	5.00

1 The authorised capital amounts to EUR 214.9 million and is divided into 110,937,500 A shares of EUR 1.28 nominal value each, 72,600,000 of different classes of preference shares with a nominal value of EUR 1.00 each and 60,000 preference shares with a nominal value of EUR 5.00 each.
2 The shares issued and fully paid consist of A-shares.

31 Capital securities

in EUR millions	*IFRS 9* **30-Jun-18**	*IAS 39* 31-Dec-17
Capital securities issued by NIBC	200	200
	200	**200**

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Movement schedule of capital securities issued by NIBC:		
Balance at 1 January	**200**	**-**
Additions	-	200
Disposals	-	-
Profit attributable to holders of capital securities	-	-
Balance at 30 June / 31 December	**200**	**200**

The capital securities are perpetual and have no expiry date. The distribution on the capital securities issued in September 2017 is as follows: the coupon is 6% per year and is made payable every six months in arrears as of the issue date (29 September 2017), for the first time on 29 March 2018. The capital securities are perpetual and first redeemable on 29 September 2026. As of 29 September 2026, and subject to capital securities not being redeemed early, the distribution is set for a further five-year period, but without a step-up, based on the 5 year euro swap rate + 5.564 %. Both the coupon and the notional are fully discretionary.

32 Fair value of financial instruments

This note describes the fair value measurement of both financial and non-financial instruments and is structured as follows:

32.1 Valuation principles
32.2 Valuation governance
32.3 Financial instruments by fair value hierarchy
32.4 Valuation techniques
32.5 Valuation adjustments and other inputs and considerations
32.6 Impact of valuation adjustments
32.7 Own credit adjustments on financial liabilities designated at fair value
32.8 Transfers between Level 1 and Level 2
32.9 Movements in level 3 financial instruments measured at fair value
32.10 Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions
32.11 Sensitivity of fair value measurements to changes in observable market data
32.12 Fair value of financial instruments not measured at fair value
32.13 Non-financial assets valued at fair value

32.1 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);
- Level 3 financial instruments - Inputs that are not based on observable market data (unobservable inputs).

32.2 Valuation governance

NIBC'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 including the Risk and Finance functions. Once submitted, fair value estimates are also reviewed and challenged by the Risk and Finance functions.

32.3 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 2018

in EUR millions	Level 1	Level 2	Level 3	30-Jun-18
Financial assets at fair value through other comprehensive income				
Debt investments	732	11	-	743
	732	**11**	**-**	**743**
Financial assets at fair value through profit or loss including trading)				
Loans	-	122	-	122
Equity investments (including investments in associates)	4	1	325	330
Debt investments	-	82	3	85
Derivative financial assets	-	829	-	829
	4	**1,034**	**328**	**1,366**
	736	**1,045**	**328**	**2,109**

in EUR millions	Level 1	Level 2	Level 3	30-Jun-18
Financial liabilities at fair value through profit or loss (including trading)				
Own debt securities in issue	-	39		39
Debt securities in issue structured	-	386		386
Derivative financial liabilities	-	762		762
Subordinated liabilities	-	174		174
Other financial liabilities	-	1	-	1
	-	**1,362**	**-**	**1,362**

Fair value of financial instruments at 31 December 2017

in EUR millions	Level 1	Level 2	Level 3	31-Dec-17
Financial assets available-for-sale				
Equity investments (unlisted)	-	-	36	36
Debt investments	639	183	1	823
	639	**183**	**37**	**859**
Financial assets at fair value through profit or loss (including trading)				
Loans	-	181	-	181
Mortgage loans	-	-	4,581	4,581
Securitised mortgage loans	-	-	338	338
Equity investments (including investments in associates)	2	-	285	287
Debt investments	-	31	-	31
Derivative financial assets	-	1,021	-	1,021
	2	**1,233**	**5,204**	**6,439**
	641	**1,416**	**5,241**	**7,298**

in EUR millions	Level 1	Level 2	Level 3	31-Dec-17
Financial liabilities at fair value through profit or loss (including trading)				
Own debt securities in issue	-	38	-	38
Debt securities in issue structured	-	616	-	616
Derivative financial liabilities	-	863	-	863
Subordinated liabilities	-	167	-	167
	-	**1,684**	**-**	**1,684**

32.4 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's interpretation of valuation assumptions (qualitative) that a market participant would consider when valuing the instruments.

Financial assets at fair value through other comprehensive income

Debt investments - level 1

For the determination of fair value at 30 June 2018, NIBC used market-observable prices (including broker quotes). NIBC 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 2018, NIBC applied market-observable prices (including broker quotes), interest rates and credit spreads derived from market-observable data. NIBC has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Financial assets at fair value through profit or loss

Equity investments (including investments in associates) - 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.

Equity investments (including investments in associates) - level 2
For the determination of fair value of level 2 equities at 30 June 2018, NIBC Bank applied broker quotes, interest rates and credit spreads derived from market-observable data. NIBC 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 2018, NIBC applied market-observable prices (including broker quotes), interest rates and credit spreads derived from market-observable data. NIBC 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.

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.

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 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);
- 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 issued funding.

32.5 Valuation adjustments and other inputs and considerations

Credit and debit valuation adjustments
NIBC calculates Credit value adjustment / Debet value adjustment on a counterparty basis over the entire life of the exposure.

Bid-offer
NIBC'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.

32.6 Impact of valuation adjustments

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

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Type of adjustment		
Credit value adjustment / Debit value adjustment	5	4
Totally Risk related	**5**	**4**
Bid-offer adjustment	(1)	(3)
Day-1 profit (see the following table)	-	3
	4	**4**

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	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Movement schedule of day-1 profit		
Balance at 1 January 2018 before the adoption of IFRS 9	**11**	**14**
Effect of adoption of IFRS 9	(11)	-
Restated balance at 1 January 2018 after the adoption of IFRS 9	**-**	**14**
Recognised in the income statement during the period:		
Subsequent recognition due to amortisation	-	(3)
Balance at 30 June / 31 December	**-**	**11**

32.7 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	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
	Included in OCI	
Recognised during the period (before tax):		
Unrealised gain / (loss)	1	67
	1	**67**
Unrealised life-to-date gain / (loss)	71	69
	71	**69**

32.8 Transfers between level 1 and level 2

In the first half of 2018 debt investments at fair value through profit of loss for an amount of EUR 2 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.

32.9 Movements in level 3 financial instruments measured at fair value

In the first half of 2018 debt investments at fair value through profit of loss for an amount of EUR 2 million has been transferred from level 2 to level 3. The level 3 classification in the fair value hierarchy better reflected the underlying valuation methodology.

in EUR millions	Balance at 1 January 2018 before the adoption of IFRS 9	Effect of adoption of IFRS 9	Restated balance at 1 January 2018 after the adoption of IFRS 9	Amounts recognised in the income statement	Purchases / Additions	Sales	Settle-ments / Disposals	Transfers into level 3	At 30 June 2018
Financial assets at fair value through other comprehensive income									
Debt investments	1	(1)	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss (including trading)									
Equity investments (including investments in associates)	285	36	320	21	10	(28)	1	-	325
Debt investments	-	1	1	-	-	-	-	2	3
	286	**36**	**321**	**21**	**10**	**(28)**	**1**	**2**	**328**

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									
Loans	24	-	-	-	-	(24)	-	-	-
Equity investments	41	(1)	(1)	-	-	(3)	-	-	36
Debt investments	1	-	-	-	-	-	-	-	1
Financial assets at fair value through profit or loss (including trading)									
Mortgage loans	4,124	(8)	-	1,035	-	(570)	-	-	4,581
Securitised mortgage loans	1,550	(83)	-	-	-	(1,129)	-	-	338
Equity investments (including investments in associates)	202	60	-	35	-	(12)	-	-	285
Debt investments	1	-	-	-	(1)	-	-	-	-
	5,943	**(32)**	**(1)**	**1,070**	**(1)**	**(1,738)**	**-**	**-**	**5,241**

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 2018					31 December 2017			
in EUR millions	Net trading income	Net income from other financial instruments at fair value through profit or loss	Investment income	Revaluation reserve	Total	Net trading income	Investment income	Revaluation reserve	Total
Financial assets at fair value through other comprehensive income									
Equity investments	-	-	-	-	-	-	(1)	(1)	(2)
Financial assets at fair value through profit or loss (including trading)									
Mortgage loans	-	-	-	-	-	(8)	-	-	(8)
Securitised mortgage loans	-	-	-	-	-	(83)	-	-	(83)
Equity investments (including investments in associates)	-	-	21	-	21	-	60	-	60
Debt investments	-	-	-	-	-	-	-	-	-
	-		**21**	**-**	**21**	**(91)**	**59**	**(1)**	**(33)**

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 2018		31 December 2017	
in EUR millions	Held at balance sheet date	Derecognised during the period	Held at balance sheet date	Derecognised during the period
Financial assets at fair value through other comprehensive income				
Equity investments	-	-	(1)	-
Financial assets at fair value through profit or loss (including trading)				
Loans	-	-	-	-
Mortgage loans	-	-	(8)	-
Securitised mortgage loans	-	-	(83)	-
Equity investments (including investments in associates)	18	3	60	-
	18	**3**	**(32)**	**-**

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 2018				31 December 2017		
in EUR millions	Net trading income	Net income from other financial instruments at fair value through profit or loss	Invest-ment income	Total	Net trading income	Invest-ment income	Total
Financial assets available-for-sale							
Equity investments	-	-	-	-	-	(2)	(2)
Financial assets at fair value through profit or loss (including trading)							
Loans	-	-	-	-	-	-	-
Mortgage loans	-	-	-	-	(8)	-	(8)
Securitised mortgage loans	-	-	-	-	(83)	-	(83)
Equity investments (including investments in associates)	-	-	13	13	-	75	75
	-		**13**	**13**	**(91)**	**73**	**(18)**

32.10 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 32.11 Sensitivity of fair value measurements to changes in observable market data.

	At 30 June 2018					
	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 at fair value through profit or loss (including trading)						
Equity investments (including investments in associates)[1]	325	-	Market proxy	Instrument price	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions	-	n.a.	n.a.
Debt investments[1]	3	-	Bid price	Price %	0%	100%
	328	**-**				

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 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						
Loans	-	-	Expected cash flows	Expected sales prices underlying assets	n.a.	n.a.
Equity investments[1]	36	-	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 cash flows	Expected cash flow from collateral	0%	100%
Financial assets at fair value through profit or loss (including trading)						
Mortgage loans	4,581	-	Discounted projected cash flows	Discount Spread (bps)	111	146
			Discounted projected cash flows	CPR	8%	10%
Securitised mortgage loans	338	-	Discounted projected cash flows	Discount Spread (bps)	111	146
			Discounted projected cash flows	CPR	8%	10%
Equity investments (including investments in associates)[1]	285	-	Market proxy	Instrument price	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions	-	n.a.	n.a.
Debt investments[1]	-	-	Bid price	Price %	0%	100%
	5,241	**-**				

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 at fair value through profit or loss
Level 3 debt investments at fair value through profit or loss are valued based on the expected cash flows of the instrument flowing from the collateral.

32.11 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 2018		31 December 2017	
in EUR millions	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Financial assets at fair value through other comprehensive income				
Equity investments (unlisted)	-	-	36	2
Debt investments	-	-	1	-
Financial assets at fair value through profit or loss (including trading)				
Mortgage loans	-	-	4,581	14
Securitised mortgage loans	-	-	338	1
Equity investments (including investments in associates)	325	16	285	14
Debt investments	3	-	-	-

In order to determine the reasonably possible alternative assumptions, NIBC 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 debt investments, NIBC 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..

In the period ended 30 June 2018, there were no significant changes in the business or economic circumstances that affect the fair value of the NIBC's financial assets and liabilities and there were no reclassifications of financial assets.

32.12 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 2018				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Loans	-	7,861	-	7,861	7,856
Mortgage loans	-	-	9,381	9,381	10,053
Financial liabilities at amortised cost					
Own debt securities in issue	-	5,316	-	5,316	5,344
Subordinated liabilities	-	114	-	114	145

	Fair value information at 31 December 2017				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Loans	-	7,749	-	7,749	7,760
Mortgage loans	-	-	4,412	4,412	4,725
Debt investments	-	57	2	59	55
Financial liabilities at amortised cost					
Own debt securities in issue	-	4,392	-	4,392	4,466
Debt securities in issue related to securitised mortgages and lease receivables	-	-	267	267	267
Subordinated liabilities	-	115	-	115	135

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.

32.13 Non-financial assets valued at fair value

NIBC's land and buildings are valued at fair value through equity. The carrying amount of NIBC's land and buildings (level 3) as of 30 June 2018 was EUR 40 million (31 December 2017: EUR 41 million). The land and buildings were last revalued as of 31 December 2017 based on external appraisal.

33 Commitments and contingent assets and liabilities

At any time, NIBC 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. At initial recognition these commitments are classified at fair value through profit or loss.

NIBC 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	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Contract amount:		
Committed facilities with respect to corporate loan financing	1,582	1,533
Committed facilities with respect to mortgage loans	239	158
Capital commitments with respect to equity investments	67	12
Guarantees granted	49	43
Irrevocable letters of credit	35	35
	1,972	**1,781**

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.

The increase of capital commitments with respect to equity investments is mainly related to the EUR 56 million commitment to HSH.

Legal proceedings

NIBC is involved in a limited number of proceedings and settlement negotiations that arise with customers, counterparties, current or former employees or others. A number of these proceedings are based upon alleged violations of a bank's duty of care (*zorgplicht*) vis-a-vis customers, including in relation to loans acquired by NIBC from third parties. Customer protection regulations as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices may influence client expectations and lead to complaints being raised that may not have been anticipated or previously provisioned for. Other ongoing proceedings relate to ordinary course of business activities in which disagreements have arisen, and to a dispute with a former IT outsourcing partner. It is difficult for NIBC to predict the outcome of many of the pending or future claims, regulatory proceedings and other adversarial proceedings. However, on the basis of legal advice and taking into consideration the facts known at present, NIBC is of the opinion that chances are remote that the outcome of these proceedings will have a material adverse effect on the consolidated financial position and the consolidated results.

34 Related party transactions

In the normal course of business, NIBC 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 include, amongst others, its subsidiaries, associates and key management personnel. The transactions were made at an arm's length price. Transactions between NIBC 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 with NIBC's parent company

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Transactions involving NIBC's shareholder		
Assets	267	203
Liabilities	-	-
Off-balance sheet commitments	-	-
Income received	-	1
Expenses paid	-	-

Transactions with other entities controlled by the parent company

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Transactions involving NIBC's shareholder		
Assets	295	268
Liabilities	(25)	(26)
Off-balance sheet commitments	19	90
Income received	12	56
Expenses paid	-	-

In March 2016, NIBC Holding (the parent company of NIBC) acquired BEEQUIP B.V. (BEEQUIP). Before and after the acquisition, NIBC financed BEEQUIP. At acquisition date the (long-term) loan to BEEQUIP amounted to EUR 52 million. NIBC's exposure at 30 June 2018 amounted to EUR 300 million (30 June 2017: EUR 153 million).

In May 2015, NIBC obtained control of Vijlma B.V. with a view to resale to NIBC Investments N.V. (a subsidiary of the parent company of NIBC). Subsequently Vijlma B.V. was sold to NIBC Investments N.V. on 30 June 2015. NIBC had no exposure to Vijlma B.V. at 30 June 2018 (30 June 2017: EUR 150 million).

On 27 February 2018, NIBC made a commitment together with J.C. Flowers to co-invest for an amount of EUR 56 million in HSH Nordbank AG.

Transactions related to associates

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Transactions related to associates		
Assets	55	82
Liabilities	-	-
Off-balance sheet commitments	3	4
Income received	2	8
Expenses paid	-	-

NIBC did not earn fees on the loans from these associates in 2018 and 2017.

At 23 March 2018, the date of the initial public offering of NIBC Holding N.V., a retention package of in total EUR 5.4 million (gross), of which EUR 4 million is included in H1 2018, was granted to the six members of the Executive Committee. The first tranche of the retention package has been unconditionally awarded to the ExCo-members. The second tranche of the retention package will vest on 23 March 2019.

35 Important events and transactions

As per 23 March 2018 shares of the parent company (NIBC Holding N.V.) are listed on the Euronext Amsterdam. The number shares sold represent approximately 25% of the issued share capital, at an initial offer price of EUR 8.75. The retained shares of the majority shareholder are subject to a lock-up period ending 23 September 2018.

36 Subsequent events

In August 2018, NIBC European Infrastructure Fund (**NEIF**), a fund managed by NIBC Bank and in which NIBC also has an 29% investment with a book value of EUR 120 million at 30 June 2018, has signed share purchase agreements as part of the selling process of two large portfolios. The successful execution of the transaction is subject to uncertainties in the closing process and the restructuring that is still to be executed. After succesfull completion of these transactions, which is currently expected in the fourth quarter of 2018, this will result in a upward revaluation of the investment of approximately by 26%.

In August 2018, Avedon, the manager of NIBC Merchant Banking Fund 1B, in which NIBC is invested as limited partner, has signed sales agreements for the exit of two of its investments. In two separate anticipated transactions, CycloMedia and SportCity will be sold. The transactions are expected to be closed in H2 2018, after capital has been raised and required approvals have been received. NIBC's share in the fund that relates to these positions equals approximately EUR 35 million per H1 2018. The transactions represent an overall premium to NIBC's valuation of its investment per H1 2018 of approximately 35%, which will lead to a significant gain for NIBC, also after transaction costs.

In July 2018 NIBC successfully priced and placed North Westerly V B.V., a EUR 412 million collateralised loan obligation (CLO) via Morgan Stanley. The CLO was priced and placed with a syndicate of leading international institutional investors. NIBC Bank N.V. acts as a Collateral Manager for this actively managed CLO, which will invest in syndicated leveraged and corporate loans. The transaction was arranged and placed by Morgan Stanley. North Westerly V B.V. is listed on Euronext Dublin.

The Hague, 28 August 2018

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

Building a better working world

Review report

To: the managing board and the supervisory board of NIBC Bank N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of NIBC Bank N.V., The Hague, which comprises the consolidated balance sheet as at 30 June 2018 and the condensed consolidated income statement, the consolidated statements of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended 30 June 2018, and the notes, comprising a summary of the significant accounting policies and other explanatory information.

The managing 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 six-month period ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34, “Interim Financial Reporting”, as adopted by the European Union.

Amsterdam, 28 August 2018

Ernst & Young Accountants LLP

Signed by M.A. van Loo

ALTERNATIVE PERFORMANCE MEASURES

NIBC uses, throughout its financial publications, alternative performance measures ("**APMs**") in addition to the figures that are prepared in accordance with the International Financial Reporting Standards ("**IFRS**"), Capital Requirements Regulation ("**CRR**") and Capital Requirements Directive ("**CRD IV**"). NIBC uses APMs to provide additional information to investors and to enhance the understanding of the results. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to IFRS, CRR and CRD IV. All measures that are covered by IFRS, CRR and CRD IV are not considered to be APMs.

NIBC uses the following APMs:
- Dividend pay-out ratio, %
- Cost/income ratio, %
- Return on equity, %
- Cost of risk, %
- Impairment ratio, %
- NPL ratio, %
- Impairment coverage ratio, %
- Loan-to-deposit ratio, %
- Net interest margin, %

Investors should consider that similarly titled APMs reported by other companies may be calculated differently. For that reason, the comparability of APMs across companies might be limited. In accordance with the guidelines of the European Securities and Markets Authority (ESMA), the following information is given in regards to the above mentioned alternative performance measures:
1. Definition of the APM
2. Reconciliation of the APM to the most directly reconcilable line item, subtotal or total presented in the financial statements

NIBC's most recent financial publications at any time are available online at https://www.nibc.com/investor-relations/.

DIVIDEND PAY-OUT RATIO

The dividend pay-out ratio is the fraction of net income for a period to be paid to NIBC's shareholders in dividends. It provides meaningful information on the portion of NIBC's profit that is distributed to its shareholders. The elements of the dividend payout ratio reconcile to the income statement of NIBC.

$$\textbf{Dividend pay-out ratio} = \frac{\textbf{Dividend pay-out}}{\textbf{Profit after tax}}$$

Dividend pay-out ratio	H1 2018	2017	2016	2015
Dividend pay-out H1 2018	37			
Profit after tax H1 2018	95			
Dividend pay-out ratio H1 2018 (%)	**39**			
Dividend pay-out 2017 (page 33 annual report NIBC Bank N.V.)		96		
Profit after tax 2017 (page 108 annual report NIBC Bank N.V.)		210		
Dividend pay-out ratio 2017 (%)		**45**		
Dividend pay-out 2016 (page 318 annual report NIBC Bank N.V.)			25	
Profit after tax 2016 (page 108 annual report NIBC Bank N.V.)			102	
Dividend pay-out ratio 2016 (%)			**25**	
Dividend pay-out 2015 (N.A.)				n.a.
Profit after tax 2015 (page 84 annual report NIBC Bank N.V.)				71
Dividend pay-out ratio 2015 (%)				**n.a.**

COST/INCOME RATIO

The cost/income ratio displays operating expenses as a percentage of operating income. The concept provides meaningful information on NIBC's operating efficiency. Cost/income ratio is calculated as the ratio (i) operating expenses before special items and (ii) operating income before special items. The elements of the cost/income ratio reconcile to the income statement of NIBC.

$$\textbf{Cost/income ratio} = \frac{\textbf{Operating expenses}}{\textbf{Operating income}}$$

Cost/Income ratio	2018	2017	2016	2015
Operating expenses H1 2018	110			
Operating income H1 2018	258			
Cost/income ratio H1 2018 (%)	**43**			
Operating expenses 2017 (page 108 annual report NIBC Bank N.V.)		223		
Operating income 2017 (page 108 annual report NIBC Bank N.V.)		512		
Cost/income ratio 2017 (%)		**44**		
Operating expenses 2016 (page 157 annual report NIBC Bank N.V.)			194	
Operating income 2016 (page 157 annual report NIBC Bank N.V.)			381	
Cost/income ratio 2016 (%)[1]			**51**	
Operating expenses 2015 (page 124 annual report NIBC Bank N.V.)				176
Operating income 2015 (page 124 annual report NIBC Bank N.V.)				316
Cost/income ratio 2015 (%)[2]				**56**

1 Cost/income ratio calculation is excluding special items
2 Regulatory charges and levies should be incorporated in operating expenses in 2015 (also included in 2017 and 2016 operating expenses) for calculation of Cost-to-income ratio. One-off SNS levy (18 mln) is excluded in 2014

RETURN ON EQUITY

Return on equity measures net profit in relation to the book value of shareholder's equity. It provides meaningful information on the performance of Issuer's business, as well as on NIBC's ability to generate income from the equity available to it. Return on equity is calculated as the ratio of (i) annualised net profit attributable to parent shareholder to (ii) total shareholder's equity at the start of the financial year. All elements of the return on equity reconcile to NIBC's consolidated financial statement.

$$\textbf{Return on equity} = \frac{\textbf{Annualised net profit attributable to parent shareholder}}{\textbf{Post proposed dividend total shareholders equity at start of the financial year}}$$

Return on equity[1]	H1 2018	2017	2016	2015
Annualised net profit attributable to parent shareholder	191			
Total shareholder's equity at the start of financial year	1,738			
Return on equity H1 2018 (%)	**11.0**			
Annualised net profit attributable to parent shareholder (page 108 annual report NIBC Bank N.V.)		210		
Post proposed dividend total shareholder's equity at the start of financial year		1,944		
Return on equity 2017 (%)		**10.8**		
Annualised net profit attributable to parent shareholder (page 108 annual report NIBC Bank N.V.)			102	
Post proposed dividend total shareholder's equity at the start of financial year (page 111 annual report NIBC Bank N.V.)			1,886	
Return on equity 2016 (%)			**5.4**	
Annualised net profit attributable to parent shareholder (page 84 annual report NIBC Bank N.V.)				71
Post proposed dividend total shareholder's equity at the start of financial year (page 87 annual report NIBC Bank N.V.)				1,831
Return on equity 2015 (%)				**3.9**

1 Total shareholder's equity was changed in Post proposed dividend total shareholder's equity in FY 2017 publication. This adjustment has no effect on prior year calculations

COST OF RISK

The cost of risk compares the total credit losses included in the income statement to the total risk weighted assets. This measure provides meaningful information on Issuer's performance in managing credit losses. The cost of risk is calculated as the ratio of (i) the sum of annualized impairments and the credit losses on loans (as part of the net income from assets and liabilities at fair value through profit or loss) and to (ii) the total risk weighted assets averaged over the reporting period. With the exception of the credit losses on loans classified at fair value through profit or loss, the elements of the cost of risk reconcile to our financial statements and regulatory reporting. The credit losses on the fair value loans are calculated in accordance with the applicable financial reporting framework and form part of the net trading income.

With the adoption of IFRS 9 in 2018, impairments are calculated based on an expected credit loss model instead of actual incurred loss impairments.

$$\textbf{Cost of risk} = \frac{\textbf{Annualised credit losses on amortised cost loans and credit losses on fair value loans (as part of net income from assets and liabilities at FVTPL)}}{\textbf{Average risk weighted assets (Basel III regulations)}}$$

Cost of risk	H1 2018	2017	2016	2015
Annualised credit losses on AC loans	21			
Annualised credit losses FVTPL loans	3			
Total annualised credit losses	**23**			
Risk-weighted assets H1 2018	8,622			
Risk-weighted assets 2017	8,546			
Average risk-weighted assets 2017	**8,584**			
Cost of risk 2017 (%)	**0.55**			
Annualised impairments		34		
Annualised credit losses FVTPL Mortgages		2		
Total annualised impairments and credit losses on fair value residential mortgages 2017		**36**		
Risk-weighted assets 2017 (page 8 annual report NIBC Bank N.V.)		8,546		
Risk-weighted assets 2016 (page 8 annual report NIBC Bank N.V.)		10,109		
Average risk-weighted assets 2017		**9,328**		
Cost of risk 2017 (%)		**0.38**		
Annualised impairments (page 32 Annual report NIBC Bank N.V.)			58	
Annualised credit losses FVTPL Mortgages and AQR (page 32 annual report NIBC Bank N.V)			4	
Total annualised impairments and credit losses on fair value residential mortgages 2016			**62**	
Risk-weighted assets 2016 (page 8 annual report NIBC Bank N.V)			10,109	
Risk-weighted assets 2015 (page 8 annual report NIBC Bank N.V)			10,162	
Average risk-weighted assets 2016			**10,136**	
Cost of risk 2016 (%)			**0.61**	
Annualised impairments (page 137 Annual report NIBC Bank N.V.)				63
Annualised credit losses FVTPL Mortgages and AQR (page 32 annual report NIBC Bank N.V 2016)				8
Total annualised impairments and credit losses on fair value residential mortgages 2015				**71**
Risk-weighted assets 2015 (page 5 annual report NIBC Bank N.V)				10,162
Risk-weighted assets 2014 (page 5 annual report NIBC Bank N.V)				9,646
Average risk-weighted assets 2015				**9,904**
Cost of risk 2015 (%)				**0.71**

IMPAIRMENT RATIO

The impairment ratio compares impairments included in the income statement on corporate and retail loans to the carrying value of these loans. The measure provides meaningful information on NIBC's performance in managing credit losses arising from its business. The impairment ratio is calculated as the ratio of (i) the annualised impairment expenses to (ii) the average loans and residential mortgages. All elements of the impairment ratio reconcile to NIBC's income statement and the consolidated balance sheet.

As impairments can only occur on financial assets recognized at amortised cost, in H1 2018 NIBC has decided to amend the calculation of the impairment ratio. As of H1 2018 the ratio is calculated using only financial assets at amortised costs, whereas in previous reports financial assets at fair value were also included in the calculation.
All comparative figures have been restated to reflect this change in methodology.

Furthermore, to better reflect the purpose of the impairment ratio, we have changed the impairment numbers to reflect only impairments on loans and mortgage loans. Impairments on other asset classes have been excluded in both the comparative figures and of H1 2018.

With the adoption of IFRS 9 in 2018, impairments are calculated based on an expected credit loss model instead of actual incurred loss impairments.

$$\text{Impairment ratio} = \frac{\text{Annualised credit losses on loans and mortgage loans}}{\text{Average financial assets regarding loans and mortgages}}$$

Impairment ratio	H1 2018	2017	2016	2015
Annualised credit losses on amortised cost loans and mortgage loans	42			
Average financial assets at amortised cost: loans[1]	7,814			
Average financial assets at amortised cost: mortgage loans[1]	9,190			
Average financial assets regarding loans and mortgage loans (total)	**17,003**			
Impairment ratio H1 2018 (%)	**0.25**			
Annualised impairments on amortised cost loans and mortgage loans		36		
Average financial assets at amortised cost: loans (page 110 annual report NIBC Bank N.V.)		8,009		
Average financial assets at amortised cost: residential mortgages (page 110 annual report NIBC Bank N.V.)		3,879		
Average financial assets regarding loans and residential mortgages (total)		**11,888**		
Impairment ratio 2017 (%)		**0.30**		
Annualised impairments on amortised cost loans and mortgage loans			67	
Average financial assets at amortised cost: loans (page 110 annual report NIBC Bank N.V.)			7,969	
Average financial assets at amortised cost: residential mortgages (page 110 annual report NIBC Bank N.V.)			2,868	
Average financial assets regarding loans and residential mortgages (total)			**10,837**	
Impairment ratio 2016 (%)			**0.62**	
Annualised impairments on amortised cost loans and mortgage loans[2]				48
Average financial assets at amortised cost: loans (page 86 annual report NIBC Bank N.V.)				7,447
Average financial assets at amortised cost: residential mortgages (page 86 annual report NIBC Bank N.V.)				1,734
Average financial assets regarding loans and residential mortgages (total)				**9,181**
Impairment ratio 2015 (%)				**0.52**

1 Loans and residential mortgagers are represented post IFRS 9 implementation
2 Impairments 2016 excludes EUR 14 million, which was part the EUR 18 million after tax loss on resolving pre-crisis exposure, that was reported in special items

NPL RATIO

The non-performing loans ("**NPL**") ratio compares the non-performing exposure (as defined by the European Banking Authority) of corporate and retail loans to the total exposure of these loans. The measure provides meaningful information on the credit quality of NIBC's assets. The ratio is calculated by dividing the total of non-performing exposure for both corporate loans and residential mortgages by the total exposure for corporate loans and residential mortgages. The elements of the NPL ratio reconcile to the consolidated financial statements and the regulatory reporting of NIBC.

The comparative figures for the NPL ratio have changed compared to previous publications due to a refinement of the calculation leading to a better reflection of non performing mortgage loans.

$$\text{NPL ratio} = \frac{\text{Non performing exposure (corporate loans and residential mortgages)}}{\text{Total exposure (corporate loans and residential mortgages)}}$$

NPL ratio[1]	H1 2018	2017	2016	2015
Non performing exposure corporate loans H1 2018	590			
Non performing exposure mortgage loans H1 2018	72			
Non performing exposure H1 2018	**662**			
Total corporate loans drawn and undrawn H1 2018	9,626			
Total retail client assets H1 2018	9,198			
Total exposure H1 2018	**18,824**			
NPL ratio H1 2018 (%)	**3.5**			
Non performing exposure corporate loans 2017 (page 96 Annual report NIBC Bank N.V.)		433		
Non performing exposure mortgage loans 2017 (page 96 Annual report NIBC Bank N.V.)		41		
Non performing exposure 2017		**474**		
Total corporate loans drawn and undrawn 2017 (page 8 Annual report NIBC Bank N.V.)		9,612		
Total retail client assets 2017 (page 8 Annual report NIBC Bank N.V.)		9,147		
Total exposure 2017		**18,759**		
NPL ratio 2017 (%)		**2.5**		
Non performing exposure corporate loan and mortgage loans 2016 (page 93 annual report NIBC Bank N.V.)			754	
Total corporate loans drawn and undrawn 2016 (page 8 annual report NIBC Bank N.V.)			9,904	
Total retail client assets 2016 (page 8 annual report NIBC Bank N.V.)			8,831	
Total exposure 2016			**18,735**	
NPL ratio 2016 (%)			**4.0**	
Non performing exposure corporate loan and mortgage loans 2015 (page 74 annual report NIBC Bank N.V.)				701
Total corporate loans drawn and undrawn 2015 (page 4 annual report NIBC Bank N.V.)				9,358
Total retail client assets 2015 (page 5 annual report NIBC Bank N.V.)				8,580
Total exposure 2015				**17,938**
NPL ratio 2015 (%)				**3.9**

1 Figures changed compared to the published figures H1 2017 due to the inclusion of investment management loans as part of corporate loans exposure.

IMPAIRMENT COVERAGE RATIO

The impairment coverage ratio compares impaired amounts on corporate and retail exposures to the total corporate and retail exposures, providing meaningful information on the residual risk related to NIBC's impaired assets. The ratio is calculated by dividing the total impairments on corporate and retail loans by the total exposure of impaired corporate and retail loans. The elements of the impaired coverage ratio reconcile to NIBC's consolidated financial statements.

With the adoption of IFRS 9, impairments are calculated based on the expected credit loss stage an asset is in. Since only stage 3 consists of real credit impaired assets we have decided to calculate the Impairment coverage ratio as of 2018 on the basis of stage 3 impairments.
Inclusion of stage 1 and 2 credit losses would generate an unreliable measure as these stage ECLs are expected lifetime credit losses instead of actual incurred credit losses.

The IBNR (Incurred But Not Reported) amounts on the balance sheet have been excluded from the 2015, 2016 and 2017 calculation in order to make the H1 2018 figure comparable to previous periods.

$$\textbf{Impairment coverage ratio} = \frac{\textbf{Balance of stage 3 credit losses on corporate and retail loans}}{\textbf{Total exposure of stage 3 credit impaired corporate and retail loans}}$$

Impairment coverage ratio[1]	H1 2018	2017	2016	2015
Balance stage 3 credit losses on loans	204			
Total stage 3 credit impaired exposure H1 2018	583			
Impairment coverage ratio H1 2018 (%)	**35**			
Balance impairment losses on loans		130		
Total impaired exposure 2017		321		
Impairment coverage ratio 2017 (%)		**40**		
Balance impairment losses on loans 2016 (page 173 annual report NIBC Bank N.V.)			189	
Total impaired exposure 2016 (page 93 annual report NIBC Bank N.V.)			629	
Impairment coverage ratio 2016 (%)			**30**	
Balance impairment losses on loans 2015 (page 173 annual report NIBC Bank N.V. 2016)				168
Total impaired exposure 2015 (page 74 annual report NIBC Bank N.V.)				507
Impairment coverage ratio 2015 (%)[2]				**33**

1 Figures changed compared to the published figures H1 2017 due to the inclusion of investment management loans as part of corporate loans exposure.
2 In 2016 the impairment balance 2015 was restated including calculation of the impairment coverage ratio. Comparative numbers (ending balance 2015 and ending balance 2014) reflect the numbers used in this calculation.

LOAN-TO-DEPOSIT RATIO

The loan-to-deposit ratio compares NIBC's loans to customers to its deposits from customers. It provides meaningful information on Issuer's funding and liquidity position. The loan-to-deposit ratio is calculated by dividing the total loans and residential mortgages by the deposits from customers. The elements of the loan-to-deposit ratio reconcile to NIBC's balance sheet.

$$\textbf{Loan to deposit ratio} = \frac{\textbf{Financial assets regarding loans and residential mortgages}}{\textbf{Deposits from customers}}$$

Loan to deposit ratio	H1 2018	2017	2016	2015
Financial assets at amortised cost: loans	7,806			
Financial assets at amortised cost: residential mortgages	9,381			
Financial assets at available for sale: loans	0			
Financial assets at fair value through profit or loss: loans	122			
Financial assets at fair value through profit or loss: residential mortgages own book	0			
Financial assets at fair value through profit or loss: securitised residential mortgages	0			
Financial assets regarding loans and residential mortgages (total)	**17,309**			
Deposits from customers	**11,262**			
Loan to deposit ratio H1 2018 (%)	**154**			
Financial assets at amortised cost: loans (page 110 annual report NIBC Bank N.V.)		7,749		
Financial assets at amortised cost: residential mortgages (page 110 annual report NIBC Bank N.V.)		4,412		
Financial assets at available for sale: loans (page 110 annual report NIBC Bank N.V.)		0		
Financial assets at fair value through profit or loss: loans (page 110 annual report NIBC Bank N.V.)		181		
Financial assets at fair value through profit or loss: residential mortgages own book (page 110 annual report NIBC Bank N.V.)		4,581		
Financial assets at fair value through profit or loss: securitised residential mortgages (page 110 annual report NIBC Bank N.V.)		338		
Financial assets regarding loans and residential mortgages (total)		**17,261**		
Deposits from customers		**11,535**		
Loan to deposit ratio 2017 (%)		**150**		
Financial assets at amortised cost: loans (page 110 annual report NIBC Bank N.V.)			8,269	
Financial assets at amortised cost: residential mortgages (page 110 annual report NIBC Bank N.V.)			3,346	

Loan to deposit ratio	H1 2018	2017	2016	2015
Financial assets at available for sale: loans (page 110 annual report NIBC Bank N.V.)			24	
Financial assets at fair value through profit or loss: loans (page 110 annual report NIBC Bank N.V.)			210	
Financial assets at fair value through profit or loss: residential mortgages own book (page 110 annual report NIBC Bank N.V.)			4,124	
Financial assets at fair value through profit or loss: securitised residential mortgages (page 110 annual report NIBC Bank N.V.)			1,550	
Financial assets regarding loans and residential mortgages (total)			**17,523**	
Deposits from customers (page 111 Condensed interim financial report bank)			**11,827**	
Loan to deposit ratio 2016 (%)			**148**	
Financial assets at amortised cost: loans (page 86 annual report NIBC Bank N.V.)				7,668
Financial assets at amortised cost: residential mortgages (page 86 annual report NIBC Bank N.V.)				2,390
Financial assets at available for sale: loans (page 86 annual report NIBC Bank N.V.)				18
Financial assets at fair value through profit or loss: loans (page 86 annual report NIBC Bank N.V.)				316
Financial assets at fair value through profit or loss: residential mortgages own book (page 86 annual report NIBC Bank N.V.)				3,954
Financial assets at fair value through profit or loss: securitised residential mortgages (page 86 annual report NIBC Bank N.V.)				2,236
Financial assets regarding loans and residential mortgages (total)				**16,582**
Deposits from customers (page 87 Condensed interim financial report bank)				**11,586**
Loan to deposit ratio 2015 (%)				**143**

NET INTEREST MARGIN

The net interest margin is a measure to display the difference between interest income and the amount of interest paid out to lenders, relative to the amount of interest-earning assets. It is similar to the gross margin (or gross profit margin) of non-financial companies and provides meaningful information on the contribution of Issuer's business to its operating income. It is calculated as the ratio of (i) the net interest income from the last 12 months and (ii) the 12 months moving average interest bearing assets. Interest bearing assets equal the total assets from the consolidated balance sheet excluding equity investments, derivatives, investments in associates, property, plant and equipment and other assets. The net interest income reconciles to the income statement of NIBC. The average interest bearing assets cannot be directly reconciled with the financial publications of NIBC as the monthly figures are not disclosed, however the monthly figures are prepared in accordance with the applicable financial reporting framework.

Since the denominator of the net interest margin calculation is subject to volatility in the balance, a moving average provides more reliable information on the underlying developments. The moving average however does not tie back to disclosed balances. For reference purposes, the following table shows the calculation method and the comparative outcome for 2017 when the net interest margin is calculated on ending balances instead of moving averages.

$$\textbf{Net interest margin} = \frac{\textbf{Sum net interest income last 12 Months}}{\textbf{12 Months average interest bearing assets}}$$

Net interest margin	2018	2017	2016	2015
Sum interest income last 12 Months H1 2018	404			
12 Month average interest bearing assets	20,929			
Net interest margin H1 2018 (%)	**1.93**			
Net interest margin H1 2018 on balance sheet end date average instead of 12 Month average	1.96			
Sum interest income last 12 Months 2017		366		
12 Month average interest bearing assets		21,652		
Net interest margin 2017 (%)		**1.69**		
Net interest margin 2016 (%)			**1.44**	
Net interest margin 2015 (%)				**1.37**

DISCLAIMER

Presentation of information

The Annual Accounts of NIBC Bank N.V. ('NIBC Bank') 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 Bank) for the six months period ended 30 June 2018 (the 'Financial Report'), the same accounting principles are applied as in the 2017 NIBC Bank'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 Bank'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 Bank'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 Bank'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 Bank'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 Bank 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 Bank 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.

RESPONSIBILITY STATEMENT

Pursuant to section 5:25d, paragraph 2(c), of the Dutch Financial Supervision Act, the members of the Managing Board of NIBC Bank N.V. state that to the best of their knowledge:

I. The Condensed Consolidated Interim Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of NIBC Bank N.V. and the companies included in the consolidation;

II. The Interim Report for the six months period ending on 30 June 2018 in conjunction with the Interim Report 2018 of NIBC Holding N.V., gives a true and fair view of the information required pursuant to section 5:25d, paragraphs 8 and 9, of the Dutch Financial Supervision Act of NIBC Bank N.V. and the companies included in the consolidation.

The Hague, 28 August 2018

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