NIBC

CONDENSED INTERIM REPORT 2020

NIBC BANK N.V.

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The Condensed Consolidated Interim Financial Report in this Interim Report has been prepared in accordance with IAS 34 Interim Financial Statements as adopted by the European Union and are reviewed by our external auditor.

To provide a better understanding of the underlying results, the income statement presented in the Financial Review section of this Interim Report differs from the one presented in the Condensed Consolidated Interim Financial Report.

This Interim Report is presented in euros (EUR), rounded to the nearest million (unless otherwise stated). Certain figures may not tally due to rounding and certain percentages have been calculated using rounded figures.

The use of the term NIBC implies NIBC Holding and all figures relate to those of NIBC Holding, unless stated otherwise.

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A WORD FROM THE CEO

Dear reader,

We currently live in unprecedented times. The COVID-19 pandemic continues to influence our personal lives, families, and communities. In turn, businesses and economies are impacted on a scale we have not seen before. And the end is not yet in sight, as some countries are still battling or recovering from the first wave, while numbers of COVID-19 infected people in other countries have again started to increase, fuelling further uncertainty as to where this might go. We are adapting our way of dealing with each other, keeping 1.5 m distance and wearing more and more face masks seeking to get control on the further spread of the COVID-19 virus. All this while a second wave is lurking and the race for a vaccine continues without any certainty as to a clear timetable.

When COVID-19 first surfaced in the Netherlands at the end of February, a COVID-19 crisis team was installed and quickly scaled up, co-chaired by two members of the Managing Board. In the first months, our priority was the safety and well-being of our colleagues and clients, with bi-daily meetings of the COVID-19 crisis team. As we have offices in several countries, keeping a clear view on the virus developments across different countries was and remains important in order to take timely and appropriate actions in each country. Supported by the continued investments in IT and our organisation in the past years, we have seamlessly transitioned to working from home since the 16th of March, for all our offices. Like many other companies we are now gradually and in a safe manner facilitating our staff to work at our offices again. I doubt however that in general our work environment will go back to pre-COVID-19 circumstances any time soon, if ever.

Amidst the continued global macro-economic and geopolitical uncertainty, we announce our half year results 2020. With the first quarter being more or less unaffected by COVID-19, also the succeeding period started off to remain relatively quiet. Government support schemes were quickly launched helping large numbers of individuals and companies to address the first challenges of COVID-19. And even though headline after headline was filled with COVID-19 related news with negative impact on businesses, no alarming issues revealed themselves as if we were in the eye of the storm. Unfortunately not for long, as through our clients we slowly but surely see the negative effects of COVID-19 being translated to our portfolios. Half year results are thus clearly impacted by COVID-19, and are substantially lower than our own ambitions and our previous expectations for 2020 with bottom line results almost evaporated to a net profit EUR 6 million.

On the client side, for the first half of 2020, performance of the retail (mortgage) client offering proved to be resilient. The corporate client side has been impacted more severely by COVID-19, significantly impacting overall net profit by the elevated level of credit loss expenses due to the COVID-19 pandemic. Furthermore, the first half of 2020 is only the midpoint of this year, and uncertainty remains as to a potential second wave, as well as to the effects of ending government support schemes later on this year. Given these circumstances, and after having followed our normal credit review process, we have decided to add an additional EUR 20 million of management overlay to the credit loss expenses in the profit and loss for the first half of 2020. This consists of EUR 5 million of expected credit loss allowance (ECL) attributable to the retail portfolios and EUR 15 million of ECL attributable to the corporate portfolios. As we have always done, we will continue to look with great caution at how the markets in which we operate will develop. We will focus on those transactions that fit our franchise and our risk parameters as we remain selectively open for business.

Despite the challenging market circumstances on the corporate client side, we continue investing further in selected activities and asset classes like commercial real-estate lending, also via our new Oimio label, and receivable finance, while at the same time continue to rebalance and reduce our exposures in other sectors. Furthermore, we expanded our digital infrastructure franchise, realised several equity divestments from our investment book, and were pleased to see the successful delisting of VolkerWessels for which we provided a large part of the financing and acted as advisor to Reggeborgh. Our 'originate-to-manage' portfolio on the corporate client side increased with 270 million in H1 2020 to approximately EUR 1 billion. Total assets on the corporate client side decreased with EUR 1.1 billion, due to conscious reduction of our cyclical sectors and high pre- and repayments in other sectors. Active portfolio management with close cooperation between business and risk management, and our partner Oaknorth, proved to be very useful in these challenging times.

Aligned with our overall rebalancing strategy over the past years, we have been growing further on the retail client side. Contrary to what might be expected in a crisis, mortgage origination levels were very strong in the first half of 2020. Total origination equaled EUR 2.2 billion, of which originate-to-manage was EUR 1.5 billion, still supported by the continuing low-for-longer interest rate environment. Again, we have been able to provide more clients with a suitable mortgage offering, bringing our total retail client assets to over EUR 15 billion. Our owner-occupied mortgage portfolio for own book remained stable, while the Buy-to-Let portfolio showed a healthy increase of 7%. Supported by our competitive originate-to-manage (OTM) offering, the OTM portfolio grew by EUR 1.3 billion (+30%) to EUR 5.6 billion, with OTM mandates further increased in the first half of 2020 to EUR 8.8 billion at the end of June 2020.

Fitch conducted an industry review in light of the COVID-19 pandemic, and decided on 1 April 2020 in line with other rating actions across the industry, to put the BBB rating of NIBC on rating watch negative. S&P decided on 23 April 2020 to change the outlook of the BBB+ rating of NIBC from stable to negative (and affirmed the BBB+ rating).

We continue to focus on asset quality and a further rebalancing of our exposures, both on- and off-balance, while actively managing our risk weighted assets. Despite all external developments, our capital position remains strong as reflected in a CET 1 ratio of 19.8% at the end of June 2020. With our liquidity coverage ratio (LCR) well above its 2019 level and elevated liquidity buffers at the end of June 2020, our liquidity position is also strong and able to address both the COVID-19 uncertainties as well as the intended merger between the NIBC Bank Deutschland AG and NIBC Bank N.V.

On the cost side, operating expenses were stable compared to H1 2019. However, due to lower operating income, the cost/income ratio increased to 52%, coming from 44% in the first half of 2019.

Last but not least, in the first half of 2020, we jointly announced the public offer by Blackstone on all NIBC Holding N.V. shares at the end of February. With the macro-economic developments and the changes we have seen in the world around us, several announcements related to the transaction have been made. I refer to our website to all details including the relevant timelines going forward. On August 7th, the offer launch press release was published together with the Offer Memorandum, the position statement and the convocation for the EGM on 7 October 2020.

I am excited we have been able to announce this important next step for the future of our company with the launch of the Offer last Friday. With Blackstone, NIBC will have a strong partner to support our strategy through the current challenging environment and continue to seek to innovate through new avenues of growth.

In these unprecedented times, I am grateful for the commitment and dedication of our people towards their work and our clients. Driven by our 'Think Yes' mentality and the entrepreneurial spirit of our people, we will be able to weather the current storm. The ability to rebalance and develop new activities is at the core of our business. And as we face the challenges brought to us by the COVID-19 pandemic together, I am confident we will also find new opportunities. In doing so, we will continue to put the wellbeing of our people first in order to be there on the decisive moments of our clients, now and in the future.

The Hague, 12 August 2020

Paulus de Wilt
Chief Executive Officer,
Chairman of the Managing Board

KEY FIGURES

- Profit after tax is significantly impacted by the elevated level of credit loss expenses due to the COVID-19 pandemic, which increased to over 80% of net operating income (16% in H1 2019).
- Operating income decreased due to lower net interest income, investment income and negative other income. Net fee and commission income is stable compared to H1 2019.
- Operating expenses are lower than HI 2019, with the decreased expenses due to the discontinuation of our capital market activities only partially offset by increased expenses for the project portfolio.
- During H1 2020, non-recurring expenses were incurred related to the merger of NIBC Bank Deutschland AG with NIBC Bank N.V..
- NIBC has a strong capital position reflected in a CET 1 ratio of 19.8% as at H1 2020. The increase of the CET 1 ratio is driven by the reduction of the RWA. In H1 2020, RWA of the Corporate loan portfolio decreased due to limited new loan origination and high

in EUR millions	H1 2020	ex. non-recurring H1 2020	H1 2019	H1 2020 vs. H1 2019	ex. non-recurring H1 2020 vs. H1 2019
Net interest income	200	200	205	-3%	-2%
Net fee and commission income	19	19	19	3%	0%
Investment income	5	5	16	-70%	-69%
Other income	(18)	(18)	5	-461%	-460%
Operating income	**206**	**206**	**245**	**-16%**	**-16%**
Personnel expenses	52	50	55	-6%	-9%
Other operating expenses	44	44	47	-7%	-6%
Depreciation and amortisation	2	2	2	24%	0%
Regulatory charges and levies	10	10	9	11%	11%
Operating expenses	**108**	**106**	**113**	**-5%**	**-6%**
Net operating income	**98**	**100**	**132**	**-26%**	**-24%**
Credit loss expense/(recovery)	79	79	21	278%	276%
Tax	7	7	25	-73%	-72%
Profit after tax	**12**	**13**	**86**	**-86%**	**-85%**
Profit attributable to non-controlling interest	6	6	6	0%	0%
Profit after tax attributable to shareholder of NIBC Bank	**6**	**7**	**81**	**-93%**	**-91%**

	H1 2020	ex. non-recurring H1 2020	2019	ex. non-recurring 2019	2018
Earnings					
Net interest margin	1.94%	1.94%	1.99%	1.99%	2.10%
Cost/income ratio	52%	51%	44%	42%	41%
Return on equity	0.7%	0.8%	10.2%	10.6%	13.2%

(p)repayment levels. In addition, the (partial) exits of two equity investments further reduced RWA.

- The composition of NIBC's funding mix is actively managed and benefits from a long average tenor of our wholesale funding portfolio and hardly any short-term wholesale funding.
- Active liquidity management and selective use of the various funding instruments have resulted in a stable funding spread, even though financial markets have seen volatility in the spread levels for financial institutions.

	H1 2020	2019	2018
Asset quality			
Cost of risk	1.88%	0.64%	0.73%
Impairment ratio	0.91%	0.28%	0.37%
Impairment coverage ratio	34%	33%	31%
NPL ratio	3.1%	2.5%	2.8%
Solvency			
Equity attributable to shareholder of the company	1,820	1,865	1,911
AT1 and Subordinated liabilities	429	484	479
Balance sheet total	22,145	22,407	21,717
Risk-weighted assets	8,170	8,597	7,723
Common Equity Tier 1 ratio[1]	19.8%	18.7%	20.6%
Tier 1 ratio[1]	22.3%	21.0%	23.2%
Total Capital ratio[1]	26.1%	24.7%	27.2%
Leverage ratio	7.9%	7.8%	7.9%
Funding & liquidity			
Loan-to-deposit ratio	149%	157%	154%
S&P rating and outlook	BBB+/Negative	BBB+ / Stable	BBB / Stable
Fitch rating and outlook	BBB / Stable	BBB / Stable	BBB / Stable

1 As from 2019, non-eligible profits attributable to the shareholders are no longer added to regulatory capital.

RESPONSIBILITY STATEMENT

Pursuant to section 5:25d, paragraph 2(c), of the Dutch Financial Supervision Act, the members of the Managing Board of NIBC Holding 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 2020, 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 Holding N.V. and the companies included in the consolidation.

The Hague,12 August 2020

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT NIBC BANK N.V. 2020

Small differences are possible due to rounding.

CONSOLIDATED INCOME STATEMENT

in EUR millions	note[1]	For the period ended 30 June 2020	For the period ended 30 June 2019
Interest income from financial instruments measured at amortised cost and fair value through other comprehensive income	2	271	286
Interest income from financial instruments measured at fair value through profit or loss	2	5	5
Interest expense from financial instruments measured at amortised cost	2	72	81
Interest expense from financial instruments measured at fair value through profit or loss	2	4	5
Net interest income		**200**	**205**
Fee income	3	19	19
Fee expense	3	-	-
Net fee income		**19**	**19**
Investment income	4	5	16
Net trading income / (loss)	5	(13)	3
Net gains or (losses) from assets and liabilities at fair value through profit or loss	6	(4)	2
Net gain or (losses) on derecognition of financial assets measured at amortised cost	7	(1)	(1)
Other operating income	8	-	1
Operating income		**206**	**245**
Personnel expenses	9	52	55
Other operating expenses	10	44	46
Depreciation and amortisation		2	2
Regulatory charges and levies	11	10	9
Operating expenses		**108**	**112**
Credit loss expense	12	79	21
Profit before tax		**19**	**112**
Tax	13	7	25
Profit after tax		**12**	**87**
Attributable to:			
Shareholders of the parent company		6	81
Holders of capital securities (non-controlling interest)		6	6

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the period ended 30 June 2020			For the period ended 30 June 2019		
in EUR millions	note	Before tax	Tax charge/ (credit)	After tax	Before tax	Tax charge/ (credit)	After tax
Profit for the period		**19**	**7**	**12**	**112**	**25**	**87**
Other comprehensive income							
Items that will not be reclassified to profit or loss							
Revaluation of property and equipment	22	(1)	-	(1)	7	-	7
Movement in the fair value of own credit risk of financial liabilities designated at fair value through profit or loss	24/25/30	63	-	63	(3)	-	(3)
Items that may be reclassified subsequently to profit or loss							
Net result on hedging instruments		(2)	-	(2)	(3)	(1)	(2)
Financial assets measured at fair value through other comprehensive income (FVOCI)							
Movement in revaluation reserves for debt investments at FVOCI	16	(4)	(1)	(3)	7	2	5
Total other comprehensive income		**56**	**(1)**	**57**	**8**	**1**	**7**
Total comprehensive income		**75**	**6**	**69**	**120**	**26**	**94**
Total comprehensive income attributable to:							
Shareholders of the parent company		69	6	63	114	26	88
Holders of capital securities (non-controlling interest)		6	-	6	6	-	6
Total comprehensive income		**75**	**6**	**69**	**120**	**26**	**94**

CONSOLIDATED BALANCE SHEET

Assets

in EUR millions	note[1]	30-Jun-20	31-Dec-19
Cash and balances with central banks		2,459	1,965
Due from other banks		619	688
Financial assets at fair value through profit or loss (including trading)			
Debt investments	14	74	91
Equity investments (including investments in associates)		221	253
Loans	15	138	142
Derivative financial instruments		501	482
Financial assets at fair value through other comprehensive income			
Debt investments	16	916	954
Financial assets at amortised cost			
Debt investments		22	10
Loans	17	6,901	7,636
Lease receivables	18	22	25
Mortgage loans	19	9,786	9,637
Securitised mortgage loans	20	377	407
Other			
Investment property	21	21	23
Investments in associates and joint ventures (equity method)		22	21
Property and equipment (including right-of-use assets)	22	36	39
Current tax assets	23	6	5
Deferred tax assets	23	7	10
Other assets		17	19
Total assets		**22,145**	**22,407**

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

Liabilities and equity

in EUR millions	note[1]	30-Jun-20	31-Dec-19
Due to other banks		1,451	1,403
Deposits from customers		11,564	11,397
Financial liabilities at fair value through profit or loss (including trading)			
Own debt securities in issue	24	-	39
Debt securities in issue structured	25	173	184
Derivative financial instruments		165	225
Current tax liabilities	23	-	-
Deferred tax liabilities	23	11	12
Provisions	26	9	15
Accruals, deferred income and other liabilities	27	55	86
Debt securities in issue at amortised cost			
Own debt securities in issue	28	6,108	6,305
Debt securities in issue related to securitised mortgages	29	360	392
Subordinated liabilities			
Fair value through profit or loss	30	113	167
Amortised cost	31	116	117
Total liabilities		**20,125**	**20,342**
Equity			
Share capital	32	80	80
Share premium	32	238	238
Revaluation reserves	32	177	120
Retained profit	32	1,325	1,427
Equity attributable to the shareholders		**1,820**	**1,865**
Capital securities (non-controlling interests)	33	200	200
Total equity		**2,020**	**2,065**
Total liabilities and equity		**22,145**	**22,407**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR millions	Attributable to: Share capital	Share premium	Revaluation reserves	Retained profit	Equity of the company	Capital securities	Total equity
Balance at 1 January 2020	**80**	**238**	**120**	**1,427**	**1,865**	**200**	**2,065**
Total comprehensive income for the period ended 30 June 2020	-	-	57	6	63	6	69
Other	-	-	-	1	1	-	1
Distributions:							
Paid coupon on capital securities	-	-	-	-	-	(6)	(6)
Dividend paid during the period[1]	-	-	-	(109)	(109)	-	(109)
Balance at 30 June 2020	**80**	**238**	**177**	**1,325**	**1,820**	**200**	**2,020**

1 Final dividend 2019.

in EUR millions	Attributable to: Share capital	Share premium	Revaluation reserves	Retained profit	Equity of the company	Capital securities	Total equity
Balance at 1 January 2019 after the adoption of IFRS 16	**80**	**238**	**122**	**1,470**	**1,910**	**200**	**2,110**
Total comprehensive income for the period ended 30 June 2019	-	-	7	81	88	6	94
Other	-	-	-	3	3	-	3
Distributions:							
Paid coupon on capital securities	-	-	-	-	-	(6)	(6)
Dividend paid during the period[1]	-	-	-	(155)	(155)	-	(155)
Balance at 30 June 2019	**80**	**238**	**129**	**1,399**	**1,846**	**200**	**2,046**

1 Final dividend 2018.

Available distributable amount

in EUR millions	As at 30 June 2020	As at 30 June 2019
Equity[1]	1,820	1,846
Share capital	(80)	(80)
Within retained earnings:		
Revaluation reserves	(28)	(37)
Legal reserve profit participation	(1)	(1)
Legal reserves	**(29)**	**(38)**
	1,711	**1,728**

1 Excluding capital securities and non-controlling interests but including profit attributable to capital securities.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Operating profit after tax	12	87
Non-cash items recognised in operating income and expenses	77	20
Net change in assets and liabilities relating to operating activities	622	(469)
Cash flows from operating activities[1]	**711**	**(362)**
Cash flows from investing activities	7	4
Cash flows from financing activities	(247)	(6)
Net change in cash and cash equivalents	**471**	**(364)**
Cash and cash equivalents at 1 January	**2,307**	**2,309**
Net foreign exchange difference	47	-
Net changes in cash and cash equivalents	468	(384)
Cash and cash equivalents at 30 June	**2,822**	**1,925**
Reconciliation of cash and cash equivalents:[2]		
Cash and balances with central banks (maturity three months or less)	2,319	1,548
Due from other banks (maturity three months or less)	503	377
	2,822	**1,925**

1 Includes all assets except for derivatives, investment property, property and equipment, assets under investing activities and intangible assets, and all liabilities excluding derivatives.
2 The difference between the cash and cash equivalents as included in the table and the cash and balances with central banks as included in the consolidated balance sheet represents cash and cash equivalents not receivable on demand and cash collateral placements posted under CSA agreements.

ACCOUNTING POLICIES

Corporate information

NIBC Holding N.V., together with its subsidiaries (**NIBC** or **the Group**), is incorporated and domiciled in the Netherlands. Headquartered in The Hague, NIBC also has offices in Frankfurt, Amsterdam, London and Brussels.

NIBC provides a broad range of financial services to corporate – and retail clients. Refer to the segment report in this condensed consolidated interim financial report for further details.

NIBC is an enterprising bank offering corporate and retail client services. Corporate client activities offer advice and debt, mezzanine and equity financing solutions to mid-sized companies and entrepreneurs in the Netherlands, Germany and the UK. Sectors in which NIBC is specialised are: Fintech, Infrastructure & Renewables, Technology, Shipping and Commercial Real Estate. Retail client activities offer savings in the Netherlands, Germany and Belgium, mortgages in the Netherlands, brokerage services in Germany under our NIBC Direct label. Selected services are part of our originate-to-manage proposition; these services also include mortgage origination and portfolio management. Over the years NIBC initiated several labels: Lot Hypotheken as a new mortgage provider and OIMIO, to finance Commercial Real Estate for SME's.

Basis of preparation

The condensed consolidated interim financial report for the period ended 30 June 2020 has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The Managing Board and Supervisory Board have, at the time of approving the condensed consolidated interim financial report for the period ended 30 June 2020, a reasonable expectation that the Group have adequate resources to continue in operation for the foreseeable future. The Group's forecasts and projections, considering the existing and anticipated effects of COVID-19, show that the Group has sufficient financial resources (i.e. liquidity buffers) for at least the coming 12 months. Accordingly, the Managing Board and Supervisory Board have adopted the going concern basis in preparing this condensed consolidated interim financial report for the period ended 30 June 2020.

This condensed consolidated interim financial report was approved by the Managing Board on 12 August 2020 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 2019, which were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (together **IFRS-EU**). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The accounting policies used in this condensed consolidated interim financial report are consistent with those set out in the notes to the 2019 consolidated financial statements of NIBC, except for the changes in accounting policies described below. NIBC's consolidated financial statements for 2019 are 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.

NIBC has applied significant critical judgements in the preparation of the condensed consolidated interim financial report for the period ended 30 June 2020, especially due to the significant uncertainties in relation to the potential long-term impact of COVID-19 on NIBC's interim accounts. More information on where critical judgements are generally applied and where estimation uncertainty exists can be found in the Critical Accounting and Estimates paragraph in the Annual Report 2019. Areas particularly important in the first half of 2020 are the fair value measurement of certain financial instruments and the determination of expected credit losses of loans, in particular in relation to the assessment when loans have experienced a significant increase in credit risk (staging) and in the application of macro-economic scenarios when estimating the increase in expected credit losses (management judgement). Actual results may differ from the estimates made. Interim results are not necessarily indicative of full-year results.

Impact of the COVID-19 crisis

Financial instruments
In March 2020, the IASB emphasised that entities should apply appropriate judgement when determining the effects of COVID-19 on expected credit losses under IFRS 9, given the significant uncertainty that exists, in particular when assessing future macro-economic conditions and whether a significant increase in credit risk has occurred.

Also banking regulators have issued statements emphasising the need for judgement. Notwithstanding the measures taken by regulators, deteriorating economic forecasts have caused and are likely to continue to cause an increase in expected credit losses and hence greater volatility in the income statement.

The negative economic outlook and cash flow difficulties experienced by clients as a result of COVID-19 must be factored into NIBC's forecasts of future conditions, which would result, other things equal, in an increase in provisions for ECL to reflect a higher probability of default across borrowers, even those that currently do not exhibit significant increases in credit risk but may do so in the future and/or a higher loss given defaults, due to possible decrease in the value of collateral and other assets.

NIBC's regular process to determine the expected credit loss allowances includes the update and review of macro-economic scenarios, triggers that indicate significant increases in credit risk (SICR) and stage migration, PD curves and LGD curves.

In addition to the standard processes to identify SICR, exposures receiving COVID-19-related measures have been separately reviewed for potential SICR. For the determination of SICR in light of such COVID-19 measures, the following approach has been applied.

Loans and Lease receivables at amortised cost
Following the decision to apply a case-by-case approach to determine if and when specific measures are required to support the client, the SICR process has been adjusted to include a review of these COVID-19 measures. A COVID-19 measure is considered to indicate a SICR only when the client is already showing a deteriorated creditworthiness or other identifiers of longer-term, credit-related instead of liquidity-related financial difficulties are present. In this case, the COVID-19 measure will

trigger a stage transfer. In other cases, the COVID-19 measure is considered to provide short-term relief only to otherwise creditworthy clients and will not be considered an indicator of SICR.

Mortgage loans and Securitised mortgage loans at amortised cost
For its mortgage loan clients, NIBC has introduced the possibility of a payment deferral in response to the COVID-19 circumstances. As the mortgage loan portfolio is based on a programme-lending approach, it is not feasible to apply a case-by-case approach. Consequently, NIBC is not able to make the distinction between short-term liquidity issues and longer-term, credit-related financial difficulties that are at the base of client's need to apply for such a payment deferral. NIBC has adopted the approach that all mortgage loans that have received the COVID-19 related payment deferral are deemed to include a SICR, and as a consequence, this will trigger a stage transfer.

Following the regular ECL processes, NIBC has also included an additional review of the total allowances for expected credit losses. NIBC has decided to perform such an assessment to ensure the reported expected credit losses are a fair reflection of the actual credit risks included in NIBC's portfolios as at 30 June 2020, given the many uncertainties.

The COVID-19 crisis did not result in new asset classifications or changes in selected business models.

The COVID-19 crisis did not give rise to a change in the fair value measurement policies of NIBC.

Where relevant the impact of the COVID-19 crisis will be disclosed in the different notes to the consolidated income statement and the consolidated balance sheet.

Non-financial instruments
NIBC's land and buildings in-own-use (Property and equipment) and available for rental (Investment property) were revalued as of 30 June 2020 based on an external appraisal.

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 of 2020, the following standards or amendments to existing standards issued by the *International Accounting Standards Board* (**IASB**) became mandatory. Note that only the amendments to IFRSs that are relevant for NIBC are discussed in the following table.

Accounting standard/amendment/ interpretation	IASB effective date	Endorsed by EU	Early adopted by NIBC	Impact for NIBC
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020	Yes	-	See below for comments
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	Yes	-	See below for comments
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	1 January 2020	Yes	-	See below for comments
Amendment to IFRS 3 Business Combinations	1 January 2020	Yes	-	See below for comments

Amendments to IAS 1 and IAS 8: Definition of Material

Effective from 1 January 2020, NIBC applied the amendments to IAS 1 and IAS 8, 'Definition of Material' prospectively. As the amendments are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements, the adoption of the amendment does not have a material effect on the condensed consolidated interim financial report for the period ended 30 June 2020.

Amendments to References to the Conceptual Framework in IFRS Standards

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Amendments to References to the Conceptual Framework in IFRS Standards include some new concepts, provide updated definitions and recognition criteria for assets and liabilities and clarify some important concepts. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. The adoption of the amendment does not have a material effect on the condensed consolidated interim financial report for the period ended 30 June 2020.

IBOR Reform

Following the decision by global regulators to phase out IBORs and replace them with alternative nearly risk-free interest rates (RFR's), NIBC has established a programme across all areas of the bank to coordinate the transition activities and to assess the potential risks and impacts of any transition. The programme is sponsored by the CFO, led by senior representatives, and encompasses various workstreams and departments including the client facing teams, Legal, Finance, Operations and IT.

All interest rate benchmarks used within NIBC are in scope of the programme, notably: GBP LIBOR, USD LIBOR, JPY LIBOR, CHF LIBOR, EURIBOR, and EONIA.

Given that IBOR reform may have various accounting implications, the International Accounting Standards Board (IASB) has commenced a two-phase project.

- **Phase 1** addresses those issues that affect financial reporting before the replacement of an existing benchmark, and
- **Phase 2** focuses on issues that may affect financial reporting when the existing benchmark rate is reformed or replaced.

Phase 1:

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Effective from 1 January 2020, the amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an RFR. The following temporary reliefs are part of the amendment:

Highly probable requirement for cash flow hedges

When determining whether a forecast transaction is highly probable, it is assumed that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

- Prospective assessment of hedge effectiveness
  When performing the prospective assessment it is assumed that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

- Retrospective assessment of hedge effectiveness
  When performing the retrospective assessment, hedges are allowed to pass the assessment even if

actual results are outside the 80-125% range, during the period of uncertainty arising from the IBOR reform.

- Designation of a component of an item as a hedged item
  For hedges of the benchmark component of interest rate risk affected by the reform, the separately identifiable requirement only needs to be demonstrated at the inception of such hedging relationships (including macro hedges).

Phase 2:
On 9 April 2020 the IASB published an Exposure Draft, Interest Rate Benchmark Reform – Phase 2, Proposed amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (the ED). The proposed effective date is for annual periods beginning on or after 1 January 2021, but NIBC applies the early adoption of the proposed amendments.

The IASB proposes amendments to specific requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- A practical expedient for modifications required by the reform
  Contractual changes, or changes to cash flows that are directly required by the reform, are to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred.

- Relief from discontinuing hedging relationships
  The ED allows changes required by IBOR reform to be made to hedge designations and hedge documentation under IAS 39 without resulting in the discontinuation of hedge accounting. Permitted changes include redefining the hedged risk to reference an RFR and redefining the description of the hedging instruments and/or the hedged items to reflect the RFR.

- Separately identifiable risk components
  The ED provides temporary relief from having to meet the separately identifiable requirement, when an RFR instrument is designated as a hedge of a risk component. The relief allows, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the reasonable expectation that the RFR risk component will become separately identifiable within the next 24 months.

The following table contains details of the gross notional amounts of hedging instruments as at 30 June 2020 that are used in NIBC's (active) hedge accounting relationships for which the amendments to IAS39 were applied:

	Hedging Instruments		
	Benchmark	Notional Amount in EUR million	Weighted average remaining maturity (in years)
GBP LIBOR		465	3.6
EONIA		5,583	1.5

The notional amounts of the derivative hedging instruments (in the table above) provide a close approximation of the extent of the risk exposure NIBC manages through these hedging relationships.

In July 2020 the EONIA is replaced by €STR in hedged positions of bonds. Due to a related decrease of 8.5bps in the discount curve, the decrease of market value of the swaps held by the Group amounted to EUR 1.2 million. The Group received a cash compensation of EUR 1.0 million to compensate for the additional collateral posted for the same amount, leading to a loss of EUR 0.2 million for the Group.

Since NIBC discontinues and reassigns most of its hedge accounting relationships on a monthly basis, the reform will not interrupt the standing process. Therefore the IBOR reform does not have a material impact on the condensed consolidated interim financial report for the period ended 30 June 2020.

Amendment to IFRS 3 Business Combinations

Effective prospectively from 1 January 2020, the IASB issued narrow-scope amendments to IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments add guidance to assess whether an acquired process is substantive and add illustrative examples. The amendments introduce an optional concentration test to permit a simplified assessment. The adoption of the amendment does not have a material effect on the condensed consolidated interim financial report for the period ended 30 June 2020.

Future application of new IFRS-EU accounting standards

Below standards and amendments to existing standards, published prior to 30 June 2020, were not early adopted by the Group, but will be applied in future years. Note that only the amendments to IFRS 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
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Clarification of the criteria whether to classify a liability as Current or Non-current)	1 January 2022	No	No	Low
Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (IFRS 3: Reference to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination, and a new exception for liabilities and contingent liabilities; IAS 16: amendments relating to items produced that are not an output of an entity's ordinary activities; IAS 37: clarification of the meaning of 'costs to fulfil a contract'; Annual Improvements containing amendments - IFRS 9: costs or fees paid to third parties will not be included in the 10% test for derecognition of financial liabilities, - IFRS 16; amendment of illustrative example, - IFRS 1: an exemption if a subsidiary adopts IFRS at a later date than its parent, - IAS 41 'Agriculture': removal of the requirement for entities to exclude cash flows for taxation when measuring fair value.)	1 January 2022	No	No	Low
Amendment to IFRS 16 Leases COVID-19 Related Rent Concessions (Relief to lessees from applying lease modification accounting to COVID-19 Related Rent Concessions)	1 June 2020	No	No	Low

NOTES TO THE (CONDENSED) CONSOLIDATED INTERIM FINANCIAL REPORT

1 Segment report

Segment information is presented in these condensed consolidated interim financial report on the same basis as used for internal management reporting within NIBC. 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 condensed consolidated interim financial report. 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 NIBC is specialised are: Commercial real estate, Energy, Financial sponsors & Leverage finance, Fintech & structured finance, Infrastructure, Mid Market Corporates and Shipping.

Retail client offering

Retail client offering offers savings products and mortgage loans to consumers who are seeking to actively manage their financial objectives. Savings products are offered in the Netherlands, Germany and Belgium, and mortgage loans 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 Center 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 and derivative assets and liabilities. As the assets of Corporate client offering and Retail client offering are funded internally with transfer pricing, 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 disclosed in a separate table.

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 2020 and 30 June 2019.

	For the period ended 30 June 2020			
in EUR millions	Corporate client offering	Retail client offering	Treasury & Group functions	Total (consolidated financial statements)
Net interest income	84	76	40	200
Net fee income	7	12	-	19
Investment income	4	-	1	5
Net trading income / (loss)	(13)	-	-	(13)
Net gains or (losses) from assets and liabilities at fair value through profit or loss	1	-	(5)	(4)
Net gain or (losses) on derecognition of financial assets measured at amortised cost	(1)	-	-	(1)
Other operating income	-	-	-	-
Operating income	**82**	**88**	**36**	**206**
Regulatory charges and levies	-	5	5	10
Other operating expenses[1]	53	31	14	98
Operating expenses	**53**	**36**	**19**	**108**
Net operating income	**29**	**52**	**17**	**98**
Credit loss expense	74	5	-	79
Profit before tax attributable to:	**(45)**	**47**	**17**	**19**
Tax	(12)	12	7	7
Profit after tax	**(33)**	**35**	**10**	**12**
Attributable to:				
Shareholders of the company	(33)	35	4	6
Holders of capital securities (non-controlling interests)	-	-	6	6

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

Income and expenses per country

in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
	For the period ended 30 June 2020				
Operating income	170	29	2	5	206
Operating expenses	94	10	3	1	108
Credit loss expense	83	(4)	-	-	79
Profit before tax	**(8)**	**24**	**(1)**	**4**	**19**
Tax	1	6	-	-	7
Profit after tax	**(9)**	**18**	**(1)**	**4**	**12**
FTEs	560	67	26	6	659

Operating income per sector per country

in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
	For the period ended 30 June 2020				
Corporate Client Offering					
Commercial Real Estate	15	-	-	-	15
Energy	6	-	-	-	6
Financial Sponsors & Leveraged Finance	8	5	-	-	13
Fintech & Structured Finance	4	5	-	-	9
Infrastructure	10	1	-	-	11
Mezzanine & Equity Partners	(1)	-	-	-	(1)
Mid Market Corporates	10	3	-	-	13
Shipping	9	-	-	-	9
Other Corporate Client Offering	7	-	-	-	7
Retail Client Offering	68	15	-	5	88
Treasury	34	-	2	-	36
	170	**29**	**2**	**5**	**206**

Net fee income per sector per country

in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
	For the period ended 30 June 2020				
Corporate Client Offering					
Commercial Real Estate	1	-	-	-	1
Energy	-	-	-	-	-
Financial Sponsors & Leveraged Finance	-	-	-	-	-
Fintech & Structured Finance	1	-	-	-	1
Infrastructure	1	-	-	-	1
Mezzanine & Equity Partners	1	-	-	-	1
Mid Market Corporates	-	-	-	-	-
Shipping	-	-	-	-	-
Other Corporate Client Offering	3	-	-	-	3
Retail Client Offering	12	-	-	-	12
Treasury	-	-	-	-	-
	19	**-**	**-**	**-**	**19**

	For the period ended 30 June 2019			
in EUR millions	Corporate client offering	Retail client offering	Treasury & Group functions	Total (consolidated financial statements)
Net interest income	89	66	50	205
Net fee income	12	7	-	19
Investment income	16	-	-	16
Net trading income / (loss)	2	-	1	3
Net gains or (losses) from assets and liabilities at fair value through profit or loss	3	-	(1)	2
Net gain or (losses) on derecognition of financial assets measured at amortised cost	(1)	-	-	(1)
Other operating income	-	-	1	1
Operating income	**121**	**73**	**51**	**245**
Regulatory charges and levies	-	5	5	9
Other operating expenses[1]	57	28	19	103
Operating expenses	**57**	**32**	**24**	**112**
Net operating income	**64**	**41**	**27**	**133**
Credit loss expense	25	(4)	-	21
Profit before tax	**39**	**45**	**27**	**112**
Tax	7	11	7	25
Profit after tax	**33**	**34**	**21**	**87**
Attributable to:				
Shareholders of the company	33	34	15	81
Holders of capital securities (non-controlling interests)	-	-	6	6

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

Income and expenses per country

	For the period ended 30 June 2019				
in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
Operating income	196	43	2	4	245
Operating expenses	89	15	6	2	112
Credit loss expense	(1)	22	-	-	21
Profit before tax	**108**	**6**	**(4)**	**3**	**112**
Tax	24	1	-	-	25
Profit after tax	**84**	**5**	**(4)**	**2**	**87**
FTEs	476	122	51	7	656

Operating income per sector per country

	For the period ended 30 June 2019				
in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
Corporate Client Offering					
Commercial Real Estate	10	-	-	-	10
Energy	6	-	-	-	6
Financial Sponsors & Leveraged Finance	14	6	-	-	20
Fintech & Structured Finance	6	5	-	-	11
Infrastructure	10	2	-	-	12
Mezzanine & Equity Partners	27	-	-	-	28
Mid Market Corporates	9	4	-	-	13
Shipping	13	-	-	-	13
Other Corporate Client Offering	9	-	-	-	9
Retail Client Offering	54	14	-	4	73
Treasury	39	11	1	-	51
	196	**43**	**2**	**4**	**245**

Net fee income per sector per country

	For the period ended 30 June 2019				
in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
Corporate Client Offering					
Commercial Real Estate	-	-	-	-	-
Energy	-	-	-	-	-
Financial Sponsors & Leveraged Finance	3	-	-	-	3
Fintech & Structured Finance	2	1	-	-	3
Infrastructure	1	-	-	-	1
Mezzanine & Equity Partners	1	-	-	-	1
Mid Market Corporates	1	-	-	-	1
Shipping	-	-	-	-	-
Other Corporate Client Offering	3	-	-	-	3
Retail Client Offering	7	-	-	-	7
Treasury	-	-	-	-	-
	18	**1**	**-**	**-**	**19**

2 Net interest income

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Interest and similar income:		
Interest income from financial instruments measured at amortised cost and fair value through other comprehensive income	271	286
Interest income from financial instruments measured at fair value through profit or loss	5	5
	276	**291**
Interest expense and similar charges:		
Interest expense from financial instruments measured at amortised cost	72	81
Interest expense from financial instruments measured at fair value through profit or loss	4	5
	76	**86**
	200	**205**

Net interest income in H1 2020 is EUR 200 million compared to EUR 205 million in H1 2019. The development in NIBC's segments are as follows:

- Net interest income of the Corporate client segment decreased from EUR 89 million to EUR 84 million, following the decrease of the drawn portfolio;
- In the Retail client segment, net interest income increased with EUR 10 million to EUR 76 million, mainly driven by an increase in the prepayment penalties of owner occupied mortgages;
- The Treasury & Group functions reports net interest income of EUR 40 million, a decrease of EUR 10 million.

Interest income includes negative interest from liabilities for an amount of EUR 14 million (H1 2019: EUR 12 million).

Interest expense includes negative interest from financial assets for an amount of EUR 22 million (H1 2019: EUR 29 million).

3 Net fee income

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Fee income per segment and major service lines:		
Corporate client offering		
Originate-to-Manage loans	2	4
Lending related fees	3	6
M&A fees	2	1
Brokerage fees	-	1
Fee income Corporate client offering	**7**	**12**
Retail client offering		
Originate-to-Manage mortgages	12	7
Fee income Retail client offering	**12**	**7**
Total fee income (from contracts with customers)	**19**	**19**
Fee expense:		
Other non-interest related fees	-	-
	-	**-**
	19	**19**

The decline of fees on Originate-to-Manage loans from EUR 4 million in H1 2019 to EUR 2 million in H1 2020 was a result of lower performance fees for NIBC's fund management activities.

The increase on fees in the Originate-to-Manage mortgages in the Retail client offering is a reflection of both the larger Originate-to-Manage portfolio during the period as well as the continued high origination volumes.

The decline of lending related fees is driven by limited origination in H1 2020 due to the current COVID-19 circumstances.

4 Investment income

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Share in result of associates and joint ventures accounted for using the equity method	2	4
Equity investments (fair value through profit or loss):		
Gains less losses from associates	(6)	6
Gains less losses from other equity investments	8	6
Gains less losses from debt investments	1	-
	5	**16**

The (partial) lock down due to the COVID-19 crisis affected the value of some investee companies. This caused the negative income from investments in associates.

5 Net trading income

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Financial instruments mandatory measured at fair value through profit or loss:		
Debt investments held for trading	(16)	1
Other assets and liabilities held for trading	2	2
Other net trading income	1	-
	(13)	**3**

Results presented under net trading income relate to trading assets and liabilities, and the associated fair value movements. The fair value movements are influenced by changes in market conditions, such as share prices, interest rates and currency exchange rates. In H1 2020 the debt investments held for trading includes a negative fair value movement of EUR 15 million on the retained non-rated positions of the outstanding North Westerly CLO transactions.

6 Net gains or (losses) from assets and liabilities at fair value through profit or loss

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Financial instruments mandatory at fair value through profit or loss other than those included in net trading income:		
Derivatives held for hedge accounting		
Fair value hedges of interest rate risk	(3)	(6)
Cash flow hedges of interest rate risk	-	1
Interest rate instruments (economic hedge)	2	5
Other:		
Foreign exchange	-	2
Non-financial instruments:		
Investment property		
Investment property - revaluation result	(3)	-
	(4)	**2**

Fair value hedges of interest risk rate inproved from a loss of EUR 6 million in H1 2019 to a loss of EUR 3 million in H1 2020.

Interest rate instruments (economic hedge) decreased from a gain of EUR 5 million in H1 2019 to a gain of EUR 2 million in H1 2020. This result includes a gain of EUR 1 million Credit value adjustment (CVA) which was realised on the linear amortisation of the credit margin (CVA H1 2019: gain of

EUR 2 million), a loss of EUR 0.4 million due to hedge ineffectiveness (H1 2019: gain of EUR 2 million) and a gain of EUR 1 million in cross currency swaps (H1 2019: gain of EUR 2 million).

The decline of the value of investment property is caused by the revaluation of the investment property per 30 June 2020.

7 Net gains or (losses) on derecognition of financial assets measured at amortised cost

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Loans	(1)	(1)
	(1)	**(1)**

The financial assets were derecognised as a result of a sales transaction of the financial asset against a price lower than the carrying value.

8 Other operating income

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Other operating income	-	1
	-	**1**

9 Personnel expenses

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Personnel expenses	52	55
	52	**55**

The number of Full Time Equivalents (***FTE***) increased from 656 at 30 June 2019 to 659 at 30 June 2020.

The H1 2020 decline in personnel expenses is due to lower spend on temporary staff and the discontinuation of NIBC's capital market activities.

10 Other operating expenses

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Other operating expenses		
Building-, housing and services expenses	2	2
Car-, travel- and accommodation expenses	1	1
Project expenses and consultants	10	8
Control and supervision	2	2
Corporate brand, brochures, (re-)presentation expenses	1	1
Other employee expenses	1	2
ICT expenses	12	15
Communication expenses	1	1
Data expenses	3	3
Process outsourcing	9	8
Other general expenses	-	-
Short-term lease expenses	-	1
Low-value assets lease expenses	1	-
Fees of auditors	1	2
	44	**46**

The rental income from investment property, included in building-, housing and services expenses, amounts to EUR 0.4 million in the first half of 2020 (H1 2019: EUR 0.4 million).

The increase in the expenses for projects and consultants is mainly caused by the regulatory projects. Expenses related to process outsourcing increases with EUR 1.5 million in H1 2020, mainly caused by higher volumes in mortgages originations.

The expenses relating to short-term leases include the expenses relating to leases with a lease term of twelve months or less.

11 Regulatory charges

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Resolution levy	5	5
Deposit Guarantee Scheme	5	4
	10	**9**

12 Impairments of financial and non-financial assets

Financial assets

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Financial assets at amortised cost/fair value through other comprehensive income:		
Loans	74	26
Lease receivables	-	-
Mortgages loans	5	(4)
Debtors	1	-
Total for on-balance sheet financial assets (in scope of ECL requirements)	**80**	**22**
Off-balance sheet financial instruments and credit lines:		
Committed facilities with respect to mortgage loans	-	(1)
Irrevocable loan commitments	(1)	-
Total for off-balance sheet financial assets (in scope of ECL requirements)	**(1)**	**(1)**
	79	**21**

Credit loss expenses report a significant increase compared to prior year period, reflecting the impact of COVID-19 on the economic environment and consequently on NIBC's lending portfolios.

The credit losses for loans are mainly related to changes stage 3 assets. Following the regular ECL process, stage 1 and 2 exposures reported a net release, mainly driven by portfolio dynamics, including substantial repayments. After the additional reviews, a management overlay of EUR 15 million has been added to credit losses on loans to reflect the increasing pressure of COVID-19 on the performance of corporate loans.

Lease receivables are up from nil in the comparable period, as the economic circumstances impact the growing lease receivables portfolio.

Credit losses on mortgage loans are based on the outcome of the management overlay adjustment of EUR 5 million. As a result of the regular ECL process, the portfolio did not report an increase in expected credit losses, as more negative economic forecasts are offset by improved loan-to-values following increased house prices and repayments.

Non-financial assets

There were no impairments on non-financial assets for H1 2020 and H1 2019.

Macro-economic scenarios

The provisions are based on the most recent macro-economic forecasts. The macro-economic scenarios reflect the impact of the developments of the Covid-19 outbreak and associated public policy measures on the key economic indicators. In the forecasted V-shape recession, a significant downward revision in the second quarter is followed by a swift rebound in the third quarter of 2020. The uncertainty about the future development of the Covid-19 pandemic results in a higher-than-usual degree of uncertainty of current economic outlook and forecasts.

Management adjustments

Given the rapidly evolving nature of the Covid-19 pandemic and related the economic impact, models alone may not be able to accurately predict losses. In these cases management adjustments should be applied to appropriately reflect the expected credit losses and mitigate the associated model risk. To the extent NIBC believes that this elevated risk is not yet covered in the IFRS9 models, a management adjustment has been recognised. This management adjustment comprises an additional provision on stage 1 (EUR 4.8 mln) and stage 2 (EUR 0.1 mln) on the Mortgage portfolio and and a EUR 15.4 mln additional provision on stage 1 (EUR 1.8 mln) and stage 2 (EUR 13.6 mln) of the Corporate Loan portfolio.

Analysis on sensitivity

The main inputs for our portfolio in the upside, baseline and downside scenario are presented in the table below.

Sensitivity analysis

		2020	2021	2022	Un-weighted ECL[1]	Probability-weighing	Reportable ECL[1]
	GDP (NL)[2]	-2.0%	0.4%	1.5%			
	GDP (UK)[2]	-5.2%	0.4%	1.4%			
Upside	GDP (DE)[2]	-2.8%	0.2%	0.9%	21.0	30.0%	
scenario	HPI (NL)[3]	1.0%	-0.7%	0.6%			
	HPI (DE)[3]	6.0%	3.3%	2.7%			
	Oil Price[4]	-41.3%	-7.3%	3.1%			
	GDP (NL)[2]	-4.7%	-0.6%	0.8%			
	GDP (UK)[2]	-7.4%	-1.2%	0.3%			
Baseline	GDP (DE)[2]	-5.6%	-0.8%	0.2%	21.6	32.5%	21.8
scenario	HPI (NL)[3]	0.5%	-1.8%	-0.6%			
	HPI (DE)[3]	6.0%	2.8%	1.9%			
	Oil Price[4]	-45.8%	-12.9%	-0.4%			
	GDP (NL)[2]	-5.6%	-1.5%	0.2%			
	GDP (UK)[2]	-8.2%	-2.3%	-0.2%			
Downside	GDP (DE)[2]	-6.4%	-1.7%	-0.4%	22.7	37.5%	
scenario	HPI (NL)[3]	0.0%	-3.2%	-2.3%			
	HPI (DE)[3]	6.0%	2.6%	1.6%			
	Oil Price[4]	-53.1%	-20.8%	-2.2%			

1 In EUR million, excluding the management overlay of EUR 20.3 million.
2 Real GDP, in % year-on-year change.
3 House Price Index (HPI) in % year-on-year.
4 Oil Price in % year-on-year.

Expected credit loss (ECL) is sensitive to changing scenario weights, in particular if narratives and parameters are selected that are not close to the baseline scenario, highlighting the non-linearity of credit losses. NIBC reported EUR 22 million of ECL allowances and provisions for stage 1 or 2 positions at the end of H1 2020. If NIBC had applied a 100% weight to the baseline scenario or 100% weight to the global crisis scenario, ECL allowances and provisions would have been approximately EUR 21.6 million and EUR 22.7 million, respectively.

13 Tax

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Current tax	8	28
Deferred tax	(1)	(3)
	7	**25**
Tax reconciliation:		
Profit before tax	**19**	**112**
Tax calculated at the nominal Dutch corporate tax rate of 25.0% (2019: 25.0%)	5	28
Impact of income not subject to tax	(1)	(3)
Impact of expenses not deductible	-	-
Effect of different tax rates other countries	1	-
Actualisation including true-ups and revaluations	2	-
	7	**25**

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.

True-ups and revaluations are impacted by COVID-19, as the use of NIBC's tax loss carry forward is delayed, even though it is still expected to be fully utilised. However, given the enacted rate reduction of the Dutch corporate income tax as per 2021, from 25% to 21.7%, this does result in a lower value of NIBC's deferred tax asset. The impact is an additional tax charge of EUR 4.5 million, included in the H1 2020 figures.

This results in an effective tax rate of 36.1% for the period ended 30 June 2020 (for the period ended 30 June 2019: 22.2%).

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.

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

in EUR millions	30-Jun-20	31-Dec-19
Debt investments (mandatory fair value through profit or loss)	74	91
	74	**91**

As the position relates to a trading portfolio no movement schedule is included to detail the H1 2020 movement.

The decline in debt investments (held for sale) from EUR 91 million to EUR 74 million is due to the termination of NIBC Markets activities and changes in fair value on the retained non-rated positions of the outstanding North Westerly CLO transactions.

15 Loans (fair value through profit or loss)

in EUR millions	30-Jun-20	31-Dec-19
Loans	138	142
	138	**142**
Legal maturity analysis of loans:		
Three months or less	10	4
Longer than three months but not longer than one year	6	20
Longer than one year but not longer than five years	100	96
Longer than five years	22	22
	138	**142**

in EUR millions	2020	2019
Movement schedule of loans:		
Balance at 1 January	**142**	**148**
Additions	50	43
Disposals	(54)	(51)
Changes in fair value	-	1
Other (including exchange rate differences)	-	1
Balance at 30 June / 31 December	**138**	**142**

The maximum credit risk exposure including undrawn credit facilities amounted to EUR 188 million (2019: EUR 169 million).

16 Debt investments (fair value through other comprehensive income)

in EUR millions	30-Jun-20	31-Dec-19
Debt investments	916	954
	916	**954**

For H1 2020, all debt investments are non-government, except for EUR 72 million (2019: EUR 81 million).

in EUR millions	30-Jun-20	31-Dec-19
Listed	916	954
Unlisted	-	-
	916	**954**
Legal maturity analysis of debt investments:		
Three months or less	33	15
Longer than three months but not longer than one year	151	133
Longer than one year but not longer than five years	655	709
Longer than five years	77	97
	916	**954**

The debt investments (FVOCI) relate to the liquidity portfolio for which the low credit risk exemption is applied.

There are no contractual amounts outstanding on debt investments that were written off and are still subject to enforcement activity for H1 2020 and 2019.

The following table shows the credit quality and the maximum exposure to credit risk based on NIBC's internal credit rating system and year-end stage classification.

in EUR millions	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Movement schedule of carrying value debt investments:					
Balance at 1 January 2020	**951**	**3**	**-**	**-**	**954**
New financial assets originated or purchased	188	-	-	-	188
Financial assets that have been derecognised	(221)	-	-	-	(221)
Changes in fair falue	(4)	-	-	-	(4)
Foreign exchange and other movements	(1)	-	-	-	(1)
Balance at 30 June 2020	**913**	**3**	**-**	**-**	**916**

in EUR millions	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Movement schedule of carrying value debt investments:					
Balance at 1 January 2019	**784**	**4**	**-**	**-**	**788**
New financial assets originated or purchased	388	-	-	-	388
Financial assets that have been derecognised	(229)	(1)	-	-	(230)
Changes in fair falue	6	-	-	-	6
Foreign exchange and other movements	2	-	-	-	2
Balance at 31 December 2019	**951**	**3**	**-**	**-**	**954**

There is no material movement in credit loss allowances on debt investments for H1 2020 and 2019.

17 Loans (amortised cost)

in EUR millions	30-Jun-20	31-Dec-19
Loans	6,335	7,003
Loans to group companies	566	633
	6,901	**7,636**
Legal maturity analysis of loans:		
Three months or less	348	464
Longer than three months but not longer than one year	976	925
Longer than one year but not longer than five years	4,365	4,727
Longer than five years	1,212	1,520
	6,901	**7,636**

in EUR millions	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Movement schedule of carrying value loans:					
Balance at 1 January 2020	**6,755**	**684**	**137**	**60**	**7,636**
New financial assets originated or purchased	754	22	4	35	815
Financial assets that have been derecognised	(1,220)	(122)	(66)	(16)	(1,424)
Write-offs	-	-	38	3	41
Net remeasurement of loss allowance	2	(12)	(60)	(3)	(73)
Changes in models/risk parameters	(1)	-	-	-	(1)
Foreign exchange and other movements	(85)	(5)	(2)	-	(93)
Transfers:					
Transfer from stage 1 to stage 2	(251)	250	-	-	(1)
Transfer from stage 2 to stage 1	8	(6)	-	-	2
Transfer from stage 2 to stage 3	-	(128)	128	-	-
Transfer from stage 3 to stage 1	26	-	(27)	-	(1)
Balance at 30 June 2020	**5,987**	**682**	**153**	**79**	**6,901**

in EUR millions	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Movement schedule of carrying value loans:					
Balance at 1 January 2019	**6,586**	**849**	**249**	**33**	**7,717**
New financial assets originated or purchased	2,333	62	3	45	2,443
Financial assets that have been derecognised	(2,197)	(264)	(184)	(3)	(2,648)
Write-offs	-	-	59	-	59
Recoveries of amounts previously written off	-	-	2	-	2
Net remeasurement of loss allowance	3	(2)	(27)	(10)	(36)
Foreign exchange and other movements	94	9	1	(5)	99
Transfers:					-
Transfer from stage 1 to stage 2	(555)	550	-	-	(5)
Transfer from stage 2 to stage 1	491	(486)	-	-	5
Transfer from stage 2 to stage 3	-	(73)	73	-	-
Transfer from stage 3 to stage 2	-	39	(39)	-	-
Balance at 31 December 2019	**6,755**	**684**	**137**	**60**	**7,636**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of credit loss allowances on loans:					
Balance at 1 January 2020	**9**	**15**	**87**	**41**	**152**
Movements with no impact on credit loss allowances of financial assets in the income statement					
Transfers:					
Transfer from stage 2 to stage 3	-	(1)	1	-	-
Write-offs	-	-	(38)	(3)	(41)
Unwind of discount due to passage of time stage 3 within interest income	-	-	(1)	-	(1)
Foreign exchange and other movements	-	-	3	-	3
Movements with no impact on credit loss allowances of financial assets in the income statement	**-**	**(1)**	**(35)**	**(3)**	**(39)**
Movements with impact on credit loss allowances of financial assets in the income statement					
New financial assets originated or purchased	1	1	-	-	2
Financial assets that have been derecognised	(1)	(1)	-	-	(2)
Net remeasurement of loss allowance	(2)	12	60	3	73
Changes in model assumption and methodologies	1	-	-	-	1
Unwind of discount due to passage of time stage 1 and stage 2	-	-	1	-	1
Transfers:					
Transfer from stage 1 to stage 2	(1)	2	-	-	1
Transfer from stage 1 to stage 3	-	-	1	-	1
Transfer from stage 2 to stage 1	1	(3)	-	-	(2)
Movements with impact on credit loss allowances of financial assets in the income statement	**(1)**	**11**	**62**	**3**	**75**
Balance at 30 June 2020	**7**	**26**	**114**	**41**	**188**

The credit loss allowance on loans includes EUR 15 million of additional allowances per 30 June 2020, following the management overlay applied per 30 June 2020. This additional allowance is included in stage 1 (EUR 1.8 million) and stage 2 (EUR 13.6 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	Total
Movement schedule of credit loss allowances on loans:					
Balance at 1 January 2019	**9**	**16**	**113**	**25**	**163**
Movements with no impact on credit loss allowances of financial assets in the income statement					
Transfers:					
Transfer from stage 2 to stage 3	-	(4)	4	-	-
Write-offs	-	-	(59)	-	(59)
Unwind of discount due to passage of time stage 3 within interest income	-	-	(5)	(1)	(6)
Foreign exchange and other movements	-	-	5	6	11
Movements with no impact on credit loss allowances of financial assets in the income statement	**-**	**(4)**	**(55)**	**5**	**(54)**
Movements with impact on credit loss allowances of financial assets in the income statement					
New financial assets originated or purchased	3	3	-	-	6
Financial assets that have been derecognised	(1)	(2)	(1)	-	(4)
Recoveries of amounts previously written off	-	-	(2)	-	(2)
Net remeasurement of loss allowance	(2)	2	28	10	38
Unwind of discount due to passage of time stage 1 and stage 2	-	-	4	1	5
Transfers:					
Transfer from stage 1 to stage 2	(4)	9	-	-	5
Transfer from stage 2 to stage 1	4	(9)	-	-	(5)
Movements with impact on credit loss allowances of financial assets in the income statement	**-**	**3**	**29**	**11**	**43**
Balance at 31 December 2019	**9**	**15**	**87**	**41**	**152**

18 Lease receivables (amortised cost)

in EUR millions	30-Jun-20	31-Dec-19
Lease receivables	22	25
	22	**25**
Legal maturity analysis of gross investment in lease receivables:		
Three months or less	21	22
Longer than three months but not longer than one year	1	2
Longer than one year but no longer than five years	-	1
Longer than five years	-	-
	22	**25**
Unearned future finance income on finance leases	-	-
Net investment in finance leases	**22**	**25**
Legal maturity analysis of net investment in lease receivables:		
Three months or less	21	22
Longer than three months but not longer than one year	1	2
Longer than one year but no longer than five years	-	1
Longer than five years	-	-
	22	**25**

in EUR millions	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Movement schedule of carrying value on lease receivables:					
Balance at 1 January 2020	**4**	**-**	**21**	**-**	**25**
Financial assets that have been derecognised	(3)	-	-	-	(3)
Balance at 30 June 2020	**1**	**-**	**21**	**-**	**22**

in EUR millions	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Movement schedule of carrying value on lease receivables:					
Balance at 1 January 2019	**53**	**-**	**-**	**-**	**53**
Financial assets that have been derecognised	(28)	-	-	-	(28)
Transfers:					
Transfer from stage 1 to stage 3	(21)	-	21	-	-
Balance at 31 December 2019	**4**	**-**	**21**	**-**	**25**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of credit loss allowances on lease receivables:					
Balance at 1 January 2020	**-**	**-**	**10**	**-**	**10**
Movements with no impact on credit loss allowances of financial assets in the income statement	**-**	**-**	**-**	**-**	**-**
Movements with impact on credit loss allowances of financial assets in the income statement	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2020	**-**	**-**	**10**	**-**	**10**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of credit loss allowances on lease receivables:					
Balance at 1 January 2019	**-**	**-**	**-**	**-**	**-**
Movements with no impact on credit loss allowances of financial assets in the income statement					
New financial assets originated or purchased	-	-	-	-	-
Transfers:					
Transfer from stage 1 to stage 3	-	-	10	-	10
Movements with no impact on credit loss allowances of financial assets in the income statement	**-**	**-**	**10**	**-**	**-**
Balance at 30 June 2019	**-**	**-**	**10**	**-**	**-**

19 Mortgage loans (amortised cost)

in EUR millions	30-Jun-20	31-Dec-19
Owner-occupied mortgage loans	9,033	8,932
Buy-to-let mortgage loans	753	705
	9,786	**9,637**
Legal maturity analysis of mortgage loans:		
Three months or less	11	12
Longer than three months but not longer than one year	17	18
Longer than one year but not longer than five years	144	141
Longer than five years	9,614	9,466
	9,786	**9,637**

in EUR millions	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Movement schedule of carrying value mortgage loans:					
Balance at 1 January 2020	**9,509**	**118**	**10**	**-**	**9,637**
New financial assets originated or purchased	699	-	-	-	699
Financial assets that have been derecognised (sale and/or redemption)	(553)	22	(13)	-	(544)
Net remeasurement of loss allowance	(4)	(1)	(1)	-	(6)
Transfers:					-
Transfer from stage 1 to stage 2	(115)	115	-	-	-
Transfer from stage 1 to stage 3	(9)	-	9	-	-
Transfer from stage 2 to stage 1	33	(33)	-	-	-
Transfer from stage 2 to stage 3	-	(4)	4	-	-
Transfer from stage 3 to stage 1	1	-	(1)	-	-
Transfer from stage 3 to stage 2	-	2	(2)	-	-
Balance at 30 June 2020	**9,561**	**219**	**6**	**-**	**9,786**

in EUR millions	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Movement schedule of carrying value mortgage loans:					
Balance at 1 January 2019	**8,891**	**82**	**17**	**-**	**8,990**
New financial assets originated or purchased	1,693	-	-	-	1,693
Financial assets that have been derecognised (sale and/or redemption)	(1,026)	(14)	(7)	-	(1,047)
Net remeasurement of loss allowance	4	-	(2)	-	2
Transfers:					
Transfer from stage 1 to stage 2	(68)	68	-	-	-
Transfer from stage 1 to stage 3	(7)	-	6	-	(1)
Transfer from stage 2 to stage 1	18	(18)	-	-	-
Transfer from stage 2 to stage 3	-	(2)	2	-	-
Transfer from stage 3 to stage 1	4	-	(4)	-	-
Transfer from stage 3 to stage 2	-	2	(2)	-	-
Balance at 31 December 2019	**9,509**	**118**	**10**	**-**	**9,637**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of credit loss allowances on mortgage loans:					
Balance at 1 January 2020	**1**	**-**	**2**	**-**	**3**
Movements with impact on credit loss allowances of financial assets in the income statement					
New financial assets originated or purchased	-	-	-	-	-
Financial assets that have been derecognised	-	-	(1)	-	(1)
Net remeasurement of loss allowance	5	1	-	-	6
Movements with impact on credit loss allowances of financial assets in the income statement	**5**	**1**	**(1)**	**-**	**5**
Balance at 30 June 2020	**6**	**1**	**1**	**-**	**8**

The credit loss allowance on loans includes EUR 5 million of additional allowances per 30 June 2020, following the management overlay applied per 30 June 2020. The larger part of this additional allowance is included in stage 1.

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of credit loss allowances on mortgage loans:					
Balance at 1 January 2019	**5**	**1**	**1**	**-**	**7**
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)	-	-
Transfer from stage 3 to stage 2	-	1	(1)	-	-
Movements with no impact on credit loss allowances of financial assets in the income statement	**1**	**1**	**(2)**	**-**	**-**
Movements with impact on credit loss allowances of financial assets in the income statement					
New financial assets originated or purchased	1	-	-	-	1
Financial assets that have been derecognised	(3)	-	-	-	(3)
Net remeasurement of loss allowance	(4)	(1)	3	-	(2)
Transfers:					
Transfer from stage 2 to stage 1	1	(1)	-	-	-
Movements with impact on credit loss allowances of financial assets in the income statement	**(5)**	**(2)**	**3**	**-**	**(4)**
Balance at 31 December 2019	**1**	**-**	**2**	**-**	**3**

20 Securitised mortgage loans (amortised cost)

in EUR millions	30-Jun-20	31-Dec-19
Securitised mortgage loans	377	407
	377	**407**
Legal maturity analysis of securitised mortgage loans:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	1	-
Longer than five years	376	407
	377	**407**

in EUR millions	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Movement schedule of carrying value securitised mortgage loans:					
Balance at 1 January 2020	**406**	**1**	**-**	**-**	**407**
New financial assets originated or purchased	-	-	- `		-
Financial assets that have been derecognised (sale and/or redemption)	(30)	-	-	-	(30)
Transfers:					
Transfer from stage 1 to stage 2	(3)	3	-	-	-
Balance at 30 June 2020	**373**	**4**	**-**	**-**	**377**

in EUR millions	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Movement schedule of carrying value securitised mortgage loans:					
Balance at 1 January 2019	**460**	**1**	**-**	**-**	**461**
New financial assets originated or purchased	-	-	-	-	-
Financial assets that have been derecognised (sale and/or redemption)	(54)	-	-	-	(54)
Balance at 31 December 2019	**406**	**1**	**-**	**-**	**407**

21 Investment property

in EUR millions	30-Jun-20	31-Dec-19
Investment property	21	23
	21	**23**

in EUR millions	2020	2019
The movement in investment property may be summarised as follows:		
Balance 1 January	**23**	**-**
Reclassification from property and equipment	-	20
Additions	1	2
Disposals	-	-
Changes in fair value	(3)	1
Balance at 30 June / 31 December	**21**	**23**

Investment property (Land and buildings with the available for rental status) decreased in value in H1 2020, leading to a loss of EUR 3 million before tax, following the revaluation of total land and buildings (see note 22 Property and equipment (including right-of-use assets)). For the revaluation result reference is made to note 6 Net gains or (losses) from assets and liabilities at fair value through profit or loss.

The rental income from investment property amount EUR 0.3 million in the first half of 2020 (H1 2019 EUR 0.3 million).

22 Property and equipment (including right-of-use assets)

in EUR millions	30-Jun-20	31-Dec-19
Land and buildings	28	30
Other fixed assets	2	3
Right-of-use assets	6	6
	36	**39**

in EUR millions	2020	2019
Movement schedule of land and buildings:		
Balance at 1 January	**30**	**42**
Reclassification to investment property	-	(20)
Additions	(1)	2
Revaluation	(1)	8
Depreciation	-	(2)
Balance at 30 June / 31 December	**28**	**30**
Gross carrying amount	94	95
Accumulated depreciation	(66)	(65)
	28	**30**
Movement schedule of revaluation surplus:		
Balance at 1 January	**17**	**10**
Revaluation	(1)	8
Depreciation	-	(1)
Balance at 30 June / 31 December	**16**	**17**
Movement schedule of other fixed assets:		
Balance at 1 January	**3**	**2**
Additions	-	3
Depreciation	(1)	(2)
Balance at 30 June / 31 December	**2**	**3**
Gross carrying amount	29	29
Accumulated depreciation	(27)	(26)
	2	**3**

in EUR millions	30-Jun-20	31-Dec-19
Right-of-use assets[1]		
Rented offices	6	6
	6	**6**

1 The right-of-use assets reflect the rental of NIBC's offices in Frankfurt, Brussels, Amsterdam.

in EUR millions	2020	2019
Movement schedule of right-of-use asset: offices		
Balance at 1 January	**6**	**-**
Effect of adoption of IFRS 16 per 1 January 2019	-	4
Restated balance at 1 January 2019 after the adoption of IFRS 16	**6**	**4**
Additions	-	3
Depreciation	-	(1)
Balance at 30 June / 31 December	**6**	**6**

Land and buildings were revalued as of 30 June 2020 based on an independent external appraisal. The negative difference with the carrying amount arising from the revaluation of land and buildings in own use to an amount of EUR 1 million before tax is debited to revaluation reserves in shareholders' equity.

Refer to note 10 Other operating expenses, for expenses related to short-term leases and lease expenses for low-value assets, for which no right-of-use assets were recognised.

Refer to note 27 Accruals, deferred income and other liabilities for the lease liabilities corresponding to the right-of-use assets.

23 Current and deferred tax

in EUR millions	30-Jun-20	31-Dec-19
Current tax assets	6	5
Current tax liabilities	-	-
	6	**5**
Deferred tax assets	7	10
Deferred tax liabilities	11	12
	(4)	**(2)**

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

in EUR millions	30-Jun-20	31-Dec-19
Bonds and notes issued	-	39
	-	**39**
Legal maturity analysis of own debt securities in issue:		
Three months or less	-	39
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	-	-
	-	**39**

in EUR millions	2020	2019
Movement schedule of own debt securities in issue:		
Balance at 1 January	**39**	**39**
Additions	-	1
Matured / redeemed	(37)	-
Changes in fair value	(2)	(1)
Balance at 30 June / 31 December	**-**	**39**

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

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to nil at 30 June 2020 (31 December 2019: EUR 39 million). All remaining positions are matured in the first half year of 2020.

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

in EUR millions	30-Jun-20	31-Dec-19
Bonds and notes issued	173	184
	173	**184**
Legal maturity analysis of debt securities in issue structured:		
Three months or less	4	-
Longer than three months but not longer than one year	25	4
Longer than one year but not longer than five years	47	70
Longer than five years	97	110
	173	**184**

in EUR millions	2020	2019
Movement schedule of debt securities in issue structured:		
Balance at 1 January	**184**	**282**
Additions	-	-
Matured / redeemed	-	(105)
Changes in fair value	(11)	5
Other (including exchange rate differences)	-	2
Balance at 30 June / 31 December	**173**	**184**

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 176 million at 30 June 2020 (2019: EUR 212 million).

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk for the first half year of 2020 amounts to a gain of EUR 5 million and the change for the current period is a gain of EUR 10 million recognised in other comprehensive income (2019: loss of EUR 5 million). See note 34.7 for further information with respect to own credit risk.

The disposals of debt securities in issue designated at fair value through profit or loss for the first half year of 2020 include redemptions at the scheduled maturity date amounted to nil (2019: EUR 5 million) and repurchases of debt securities before the legal maturity date also amounted to nil (2019: EUR 100 million).

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

26 Provisions

in EUR millions	30-Jun-20	31-Dec-19
ECL allowances for off-balance sheet financial instruments	2	3
Restructuring provisions	5	9
Other provisions	-	1
Employee benefits	2	2
	9	**15**

Under IFRS 9 a credit loss provision is calculated for the off-balance sheet financial instruments. The credit loss provision is recorded as a liability on the balance sheet.

The discontinuation process of NIBC's capital markets activities has been successfully executed in the first half of 2020. As some related costs will be charged in the second half of the year, part of the restructuring provisions has been maintained.

Employee benefit obligations of EUR 2 million at 30 June 2020 are related to payments to be made in respect of other leave obligations (2019: EUR 2 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	Total
Movement schedule of credit loss allowances on provisions:					
Balance at 1 January 2020	**1**	**2**	**-**	**-**	**3**
Movements with impact on credit loss allowances of financial assets in the income statement					
Net remeasurement of loss allowance	(1)	1	(1)	-	(1)
Transfers:					-
Transfer from stage 2 to stage 3	-	(1)	1	-	-
Movements with impact on credit loss allowances of financial assets in the income statement	**(1)**	**-**	**-**	**-**	**(1)**
Balance at 30 June 2020	**-**	**2**	**-**	**-**	**2**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	Total
Movement schedule of credit loss allowances on provisions:					
Balance at 1 January 2019	**1**	**1**	**-**	**-**	**2**
Movement schedule of ECL allowances for off-balance sheet financial instruments in the income statement					
New committed off-balance balance sheet financial instruments	1	-	-	-	1
Off-balance sheet financial instruments that have been derecognised	(1)	1	-	-	-
Transfers:					
Transfer from stage 1 to stage 2	-	1	-	-	1
Transfer from stage 2 to stage 1	-	(1)	-	-	(1)
Movements with impact on credit loss allowances of financial assets in the income statement	**-**	**1**	**-**	**-**	**1**
Balance at 31 December 2019	**1**	**2**	**-**	**-**	**3**

27 Accruals, deferred income and other liabilities

in EUR millions	30-Jun-20	31-Dec-19
Payables	24	36
Lease liabilities[1]	6	7
Other accruals	19	25
Pending settlements	-	9
Taxes and social securities	6	9
	55	**86**
Legal maturity analysis of lease liabilities:		
Three months or less	1	-
Longer than three months but not longer than one year	1	1
Longer than one year but not longer than five years	3	4
Longer than five years	1	2
	6	**7**

1 Refer to note 22 Property and equipment for the right-of-use assets corresponding to the lease liabilities.

in EUR millions	2020	2019
Movement schedule of lease liabilities		
Balance at 1 January	**7**	**5**
Additions	-	3
Repayments	(1)	(1)
Balance at 30 June / 31 December	**6**	**7**

Lease liability

For the period ended 30 June 2020, there are no variable lease payments included in the measurement of the lease liabilities (2019: nil).

For the period ended 30 June 2020, interest expense on lease liabilities amounted to nil (2019: nil). Interest expense on lease liabilities is recognised within interest expense from financial instruments measured at amortised cost (refer to note 2 Net interest income).

In the consolidated statement of cash flows,
1. cash payments for the principal portion of the lease liability are classified within financing activities;
2. cash payments for the interest portion of the lease liability are, part of interest paid, classified as operating activities.

All contractual payments are included in the calculation of the lease liabilities, however:
- there are no amounts expected to be payable by NIBC under residual value guarantees, and
- no purchase options are expected to to be exercised, and
- no payments of penalties for terminating the lease are included.

There are no restrictions or covenants applicable on the lease liabilities.

28 Own debt securities in issue (amortised cost)

in EUR millions	30-Jun-20	31-Dec-19
Bonds and notes issued	6,108	6,305
	6,108	**6,305**
Legal maturity analysis of own debt securities in issue:		
Three months or less	272	204
Longer than three months but not longer than one year	36	365
Longer than one year but not longer than five years	2,417	2,317
Longer than five years	3,383	3,419
	6,108	**6,305**

in EUR millions	2020	2019
Movement schedule of own debt securities in issue:		
Balance at 1 January	**6,305**	**5,451**
Additions	373	2,202
Matured / redeemed	(523)	(1,381)
Other (including exchange rate differences)	(47)	33
Balance at 30 June / 31 December	**6,108**	**6,305**

In the first half year of 2020 NIBC issued an EUR 200 million fixed rate senior non-preferred transaction with a maturity of four years, as a tap on the outstanding 2024 transaction, increasing the transaction to a EUR 500 million benchmark size. The total additions also include a EUR 3 million decrease of the cumulative hedge adjustment (2019: increase of EUR 3 million).

The disposals of own debt securities in issue at amortised cost for the first half year of 2020 include redemptions at the scheduled maturity date and repurchases to an amount of EUR 251 million

(2019: EUR 1,298 million) and temporary buyback of positions for EUR 272 million (2019: EUR 83 million).

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

in EUR millions	30-Jun-20	31-Dec-19
Bonds and notes issued	360	392
	360	**392**
Legal maturity analysis of debt securities in issue related to securitised mortgage loans and lease receivables:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	360	392
	360	**392**

in EUR millions	2020	2019
Movement schedule of debt securities in issue related to securitised mortgage loans and lease receivables:		
Balance at 1 January	**392**	**447**
Additions	-	-
Matured / redeemed	(32)	(55)
Balance at 30 June / 31 December	**360**	**392**

30 Subordinated liabilities (designated at fair value through profit or loss)

in EUR millions	30-Jun-20	31-Dec-19
Non-qualifying as grandfathered additional Tier-1 capital	26	57
Subordinated loans other	87	110
	113	**167**
Legal maturity analysis of subordinated liabilities:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	113	167
	113	**167**

in EUR millions	2020	2019
Movement schedule of subordinated liabilities:		
Balance at 1 January	**167**	**162**
Additions	2	2
Changes in fair value	(56)	2
Other (including exchange rate differences)	-	1
Balance at 30 June / 31 December	**113**	**167**

The 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 by results on financial derivatives.

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 259 million at 30 June 2020 (2019: EUR 260 million).

The cumulative change in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a gain of EUR 153 million (2019: gain of EUR 100 million) and the change for the current period is a gain of EUR 53 million recognised in other comprehensive income (2019: loss of EUR 3 million).

All of the above loans are subordinated to the other liabilities of NIBC. The non-qualifying as grandfathered additional Tier-1 capital consists of perpetual securities and may be redeemed by NIBC only with the prior approval of the DNB. Interest expense of EUR 3 million was recognised on subordinated liabilities during the first half year 2020 (2019: EUR 8 million). In the first half of 2020 and 2019 full year, no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item.

31 Subordinated liabilities (amortised cost)

in EUR millions	30-Jun-20	31-Dec-19
Subordinated loans other	116	117
	116	**117**
Legal maturity analysis of subordinated liabilities:		
Three months or less	-	-
Longer than three months but not longer than one year	50	-
Longer than one year but not longer than five years	12	63
Longer than five years	54	54
	116	**117**

in EUR millions	2020	2019
Movement schedule of subordinated liabilities:		
Balance at 1 January	**117**	**116**
Additions	-	-
Matured / redeemed	(1)	-
Other (including exchange rate differences)	-	1
Balance at 30 June / 31 December	**116**	**117**

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 55 million (2019: EUR 54 million). Interest expense of EUR 2 million was recognised on subordinated liabilities during the first half year of 2020 (2019: EUR 5 million).

32 Equity

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

in EUR millions	30-Jun-20	31-Dec-19
Equity attributable to the equity holder:		
Share capital	80	80
Share premium	238	238
Revaluation reserves		
Revaluation reserve - hedging instruments	15	16
Revaluation reserve - debt investments	(1)	3
Revaluation reserve - property	13	14
Revaluation reserve - own credit risk	150	87
Retained profit	1,325	1,427
	1,820	**1,865**

Share capital

The share capital is fully paid.

	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
	Numbers x 1,000		in EUR millions	
Authorised share capital	183,598	183,598	215	215
Unissued share capital	121,011	121,011	135	135
Issued share capital (ordinary shares)	**62,587**	**62,587**	**80**	**80**
	Numbers x 1,000		in EUR millions	
The number and total amounts of authorised shares:				
Class A ordinary shares	110,938	110,938	142	142
Class B, C, D, E1 and E3 preference shares	72,600	72,600	73	73
Class E4 preference shares	60	60	-	-
	183,598	**183,598**	**215**	**215**
			in EUR	
Classes and par values of authorised shares:				
Class A ordinary shares			1.28	1.28
Class B, C, D, E1 and E3 preference shares			1.00	1.00
Class E4 preference shares			5.00	5.00

Share premium

This reserve comprises the difference between the par value of NIBC shares and the total amount received for issued shares. The share premium reserve is credited for equity-related expenses and is also used for issued shares.

Revaluation reserves

Revaluation reserve - hedging revaluation

This reserve comprises the portion of the gains or losses on hedging instruments in a cash flow hedge that is determined to be an effective hedge (net of tax).

Revaluation reserve - debt investments

This reserve comprises changes in fair value of debt investments at FVOCI (net of tax).

Revaluation reserve - property

This reserve comprises changes in fair value of land and buildings in-own-use (net of tax).

Revaluation reserve - own credit risk

This reserve includes the cumulative changes in the fair value of the financial liabilities designated as at FVtPL that are attributable to changes in the credit risk of these liabilities other than those recognised in profit or loss (net of tax).

Retained profit

Retained profit reflects accumulated earnings less dividends paid to shareholders and transfers from share premium.

Dividend restrictions

NIBC and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid-up capital, and reserves required by law. Additionally, certain Bank companies are subject to restrictions on the amount of funds they may transfer in the form of dividend or otherwise to the parent company.

33 Capital securities

in EUR millions	30-Jun-20	31-Dec-19
Capital securities issued by NIBC	200	200
	200	**200**

in EUR millions	2020	2019
Movement schedule of capital securities issued by NIBC:		
Balance at 1 January	**200**	**200**
Profit attributable to holders of capital securities	6	12
Paid coupon on capital securities	(6)	(12)
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.

34 Fair value of financial instruments

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

34.1 Valuation principles
34.2 Valuation governance
34.3 Financial instruments by fair value hierarchy
34.4 Valuation techniques
34.5 Valuation adjustments and other inputs and considerations
34.6 Impact of valuation adjustments
34.7 Own credit adjustments on financial liabilities designated at fair value
34.8 Transfers between Level 1 and Level 2
34.9 Movements in level 3 financial instruments measured at fair value
34.10 Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions
34.11 Sensitivity of fair value measurements to changes in observable market data
34.12 Fair value of financial instruments not measured at fair value
34.13 Non-financial assets valued at fair value

34.1 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).

34.2 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.

34.3 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 2020

in EUR millions	Level 1	Level 2	Level 3	30-Jun-20
Financial assets at fair value through profit or loss (including trading)				
Debt investments	23	50	1	74
Equity investments (including investments in associates)	-	-	221	221
Loans	-	104	34	138
Derivative financial assets	-	501	-	501
	23	**655**	**256**	**934**
Financial assets at fair value through other comprehensive income				
Debt investments	813	103	-	916
	813	**103**	**-**	**916**
	836	**758**	**256**	**1,850**

in EUR millions	Level 1	Level 2	Level 3	30-Jun-20
Financial liabilities at fair value through profit or loss (including trading)				
Own debt securities in issue	-	-	-	-
Debt securities in issue structured	-	173	-	173
Derivative financial liabilities	-	165	-	165
Subordinated liabilities	-	113	-	113
	-	**451**	**-**	**451**

Fair value of financial instruments at 31 December 2019

in EUR millions	Level 1	Level 2	Level 3	31-Dec-19
Financial assets at fair value through profit or loss (including trading)				
Debt investments	16	73	2	91
Equity investments (including investments in associates)	2	-	251	253
Loans	-	108	34	142
Derivative financial assets	-	482	-	482
	18	**663**	**287**	**968**
Financial assets at fair value through other comprehensive income				
Debt investments	820	134	-	954
	820	**134**	**-**	**954**
	838	**797**	**287**	**1,922**

in EUR millions	Level 1	Level 2	Level 3	31-Dec-19
Financial liabilities at fair value through profit or loss (including trading)				
Own debt securities in issue	-	39	-	39
Debt securities in issue structured	-	184	-	184
Derivative financial liabilities	-	225	-	225
Subordinated liabilities	-	167	-	167
	-	**615**	**-**	**615**

34.4 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 profit or loss

Debt investments - level 1

For the determination of fair value at 30 June 2020, NIBC used market-observable prices. NIBC has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

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 30 June 2020.

Loans - level 2 and 3

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 2020, NIBC 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 2020, 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.

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 assets at fair value through other comprehensive income

Debt investments - level 1
For the determination of fair value at 30 June 2020, 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 2020, 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 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.

34.5 Valuation adjustments and other inputs and considerations

Credit and debit valuation adjustments
NIBC calculates Credit value adjustment/Debit 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).

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.

34.6 Impact of valuation adjustments

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

in EUR millions	For the period ended 30 June 2020	For the period ended 31 December 2019
Type of adjustment		
Credit value adjustment / Debit value adjustment	-	-
Totally Risk related	**-**	**-**
Bid-offer adjustment	-	-
Day-1 profit (see the following table)	10	12
	10	**12**

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	For the period ended 30 June 2020	For the period ended 31 December 2019
Movement schedule of day-1 profit:		
Balance at 1 January	**12**	**7**
Recognised in the income statement during the period:		
Subsequent recognition due to amortisation	(2)	5
Balance at 30 June / 31 December	**10**	**12**

34.7 Own credit adjustments on financial liabilities designated at fair value

Changes in the fair value of financial liabilities designated at fair value through profit or loss related to own credit are recognised in Other comprehensive income and presented in the Statement of comprehensive income. 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	For the period ended 30 June 2020	For the period ended 31 December 2019
	Included in OCI	
Recognised during the period (before tax):		
Unrealised gain/(loss)	63	(9)
	63	**(9)**
Unrealised life-to-date gain/(loss)	150	87
	150	**87**

34.8 Transfers between level 1 and level 2

Transfers between levels are reviewed semi-annually at the end of the reporting period. During H1 2020, there were no transfers between level 1 and level 2 fair value measurements.

34.9 Movements in level 3 financial instruments measured at fair value

During the period ended 30 June 2020 and 31 December 2019, there were no movements into and out to level 3 fair value measurements.

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

in EUR millions	At 1 January 2020	Amounts recognised in the income statement	Amounts recognised recorded in OCI	Purchases/ Additions	Sales	Settle-ments/ Disposals	At 30 June 2020
Financial assets at fair value through profit or loss (including trading)							
Debt investments	2	-	-	-	-	(1)	1
Equity investments (including investments in associates)	251	(1)	-	2	-	(31)	221
Loans	34	-	-	-	-	-	34
	287	**(1)**	**-**	**2**	**-**	**(32)**	**256**

in EUR millions	At 1 January 2019	Amounts recognised in the income statement	Amounts recognised recorded in OCI	Purchases/ Additions	Sales	Settle-ments/ Disposals	At 31 December 2019
Financial assets at fair value through profit or loss (including trading)							
Debt investments	2	1	-	-	-	(1)	2
Equity investments (including investments in associates)	184	57	-	40	-	(30)	251
Loans	49	2	-	13	(8)	(22)	34
	235	**60**	**-**	**53**	**(8)**	**(53)**	**287**

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 2020				For the period ended 31 December 2019			
in EUR millions	Net trading income	Net gains or (losses) from assets and liabilities at fair value through profit or loss	Invest-ment income	Total	Net trading income	Net gains or (losses) from assets and liabilities at fair value through profit or loss	Invest-ment income	Total
Financial assets at fair value through profit or loss (including trading)								
Debt investments	-	-	-	-	1	-	-	1
Equity investments (including investments in associates)	-	-	(1)	(1)	-	-	57	57
Loans	-	-	-	-	-	2	-	2
	-	**-**	**(1)**	**(1)**	**1**	**2**	**57**	**60**

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 2020		For the period ended 31 December 2019	
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 profit or loss (including trading)				
Debt investments	-	-	-	1
Equity investments (including investments in associates)	(1)	-	57	-
Loans	-	-	2	-
	(1)	**-**	**59**	**1**

Recognition of unrealised gains and losses in level 3

Amounts recognised in the income statement relating to unrealised gains and losses during the year that relates to level 3 assets and liabilities are included in the income statement as follows:

	For the period ended 30 June 2020				For the period ended 31 December 2019			
in EUR millions	Net trading income	Net gains or (losses) from assets and liabilities at fair value through profit or loss	Invest-ment income	Total	Net trading income	Net gains or (losses) from assets and liabilities at fair value through profit or loss	Invest-ment income	Total
Financial assets at fair value through profit or loss (including trading)								
Debt investments	-	-	-	-	-	-	-	-
Equity investments (including investments in associates)	-	-	(18)	(18)	-	41	-	41
Loans	-	-	-	-	2	-	-	2
	-	**-**	**(18)**	**(18)**	**2**	**41**	**-**	**43**

34.10 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 34.11 Sensitivity of fair value measurements to changes in observable market data.

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 30 June 2020		At 31 December 2019	
in EUR millions	Fair value of level 3 assets	Fair value of level 3 liabilities	Fair value of level 3 assets	Fair value of level 3 liabilities
Financial assets at fair value through profit or loss (including trading)				
Debt investments	1	-	2	-
Equity investments (including investments in associates)	221	-	251	-
Loans	34	-	34	-
	256	**-**	**287**	**-**

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 dependent on the projected sales prices of the underlying assets. The lower level assumes actual sales prices of 75% of the projected sales prices the higher level assumes actual sales prices 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.

34.11 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 2020		For the period ended 31 December 2019	
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 profit or loss (including trading)				
Debt investments	1	-	2	-
Equity investments (including investments in associates)	221	11	251	13
Loans	34	2	34	2

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.

34.12 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 2020				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Debt investments	-	22	-	22	22
Loans	-	6,901	-	6,901	6,934
Lease receivables	-	22	-	22	22
Mortgage loans	-	-	9,786	9,786	10,114
Securitised mortgage loans	-	-	377	377	403
Financial liabilities at amortised cost					
Own debt securities in issue	-	6,108	-	6,108	6,568
Debt securities in issue related to securitised mortgages	-	-	360	360	362
Subordinated liabilities	-	116	-	116	129

	Fair value information at 31 December 2019				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Debt investments	-	10	-	10	11
Loans	-	7,636	-	7,636	7,563
Lease receivables	-	25	-	25	25
Mortgage loans	-	-	9,637	9,637	9,964
Securitised mortgage loans	-	-	407	407	434
Financial liabilities at amortised cost					
Own debt securities in issue	-	6,305	-	6,305	6,701
Debt securities in issue related to securitised mortgages	-	-	392	392	395
Subordinated liabilities	-	117	-	117	151

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.

34.13 Non-financial assets valued at fair value

Property and equipment / Investment Property

NIBC's land and buildings (in-own-use) are valued at fair value through equity, the carrying amount (level 3) as of 30 June 2020 is EUR 27 million (2019: EUR 30 million).

NIBC's investment property (available-for-rental) are valued at fair value through profit or loss, the carrying amount (level 3) as of 30 June 2020 is EUR 21 million (2019: EUR 23 million).

The fair value of the right-of-use assets does not materially deviate from the carrying amount.

35 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	30-Jun-20	31-Dec-19
Contract amount:		
Committed facilities with respect to corporate loan financing	1,366	1,662
Committed facilities with respect to mortgage loans	378	267
Capital commitments with respect to equity investments	28	29
Guarantees granted	52	69
Irrevocable letters of credit	68	70
	1,892	**2,097**

Refer to note 26 Provisions for the ECL-allowances on off-balance sheet financial instrument positions.

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.

Claims, investigations, litigation or other proceedings or actions may have a material adverse effect on NIBC's business, results of operations, financial condition and prospects

NIBC is involved in a number of proceedings and settlement negotiations that arise with customers, counterparties, current or former employees or others in the course of its activities. Proceedings may relate to, for example, alleged violations of NIBC's duty of care (zorgplicht) vis-a-vis its (former) customers, the provision of allegedly inadequate investment advice or the provision of allegedly inadequate services. Negative publicity associated with certain sales practices, compensation payable in respect of such issues or regulatory changes resulting from such issues could have a material adverse effect on NIBC's reputation, business, results of operations, financial condition and prospects. Dutch financial services providers are increasingly exposed to collective claims from groups of customers or consumer organisations seeking damages for an unspecified or indeterminate amount or involving unprecedented legal claims in respect of assumed mis-selling or other violations of law or customer rights.

While NIBC has made considerable investment in reviewing and assessing historic sales and ''know your customer' practices and in the maintenance of risk management, legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historic sales practices have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated. Assessments of the likelihood of claims arising from former activities are often difficult to accurately assess, due to the difficulties in applying more recent standards or court judgements to past practices. Furthermore, many individual transactions are heavily fact-specific and the likelihood of applicability to more transactions of a court decision received on one particular transaction, is difficult to predict until a claim actually materialises and is elaborated. Changes in customer protection regulations and in interpretation and perception by both the public at large and governmental authorities of acceptable market practices might also influence client expectations. One example of past practice that is currently being subjected to a review of the correctness of such behaviour relates to EURIBOR-based mortgages. In 2017 NIBC acquired a portfolio of mortgages and, as part of such acquisition, took over a number of such EURIBOR-based mortgages. Such types of mortgages are currently the subject of individual and class action claims towards another financial institution within the Netherlands. The claimants have been contesting the contractual right of such mortgage lender to have adjusted the margin and alleged that the mortgage lender violated its duty of care towards the relevant customers. Given the similarity of the facts to the EURIBOR-based mortgages within the portfolio acquired by NIBC, NIBC is monitoring such developments and has notified the relevant clients that it will apply the final judicial outcome to the EURIBOR-based loans acquired by NIBC. The risks related to this legal issue were taken into account at the time of acquisition of this mortgage portfolio and factored into the consideration paid by NIBC at the time.

It is difficult for NIBC to predict the outcome of many of the pending or future claims, regulatory proceedings and other adversarial proceedings. The costs and staffing capacity required to defend against future actions may be significant. Counterparties in these proceedings may also seek publicity, over which NIBC will have no control, and this publicity could lead to reputational harm to NIBC and potentially decrease customer acceptance of NIBC's services, regardless of whether the allegations are valid or whether NIBC is ultimately found liable. In addition, NIBC's provisions for defending these claims may not be sufficient.

On the basis of legal advice, taking into consideration the facts known at present NIBC is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated results.

36 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 involving NIBC's parent company

in EUR millions	30-Jun-20	31-Dec-19
Transactions involving NIBC's parent company:		
Assets	59	170
Liabilities	-	-
Off-balance sheet commitments	-	-

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Income received	-	1
Expenses paid	-	-

Transactions with other entities controlled by the parent company

in EUR millions	30-Jun-20	31-Dec-19
Transactions involving other entities controlled by the parent company:		
Assets	507	463
Liabilities	(34)	(28)
Off-balance sheet commitments	14	6

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Income received	3	6
Expenses paid	-	-

Transactions related to associates and joint ventures

in EUR millions	30-Jun-20	31-Dec-19
Transactions related to associates and joint ventures:		
Assets	152	151
Liabilities	-	-
Off-balance sheet commitments	36	52

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Income received	4	9
Expenses paid	-	-

37 Important events and transactions

COVID-19

COVID-19 has had an unprecedented global impact during the first half of 2020 and will also have an impact in the future. Primarily a global health threat, its impact has been far-reaching in personal lives, companies, societies and economic activity. Following the measures taken to limit the spread of the virus, the liquidity positions of companies and households have been impacted, creating the need for support by both governments and financial institutions. Also for financial institutions, COVID-19 has introduced several challenges, ranging from employees' well-being and operational continuity during lock-down regimes, providing support to clients with temporary COVID-19 related challenges, to the impact of COVID-19 on the credit risks in lending portfolios. NIBC's response to and the impact of COVID-19 are discussed and disclosed in the relevant sections of the Condensed Interim Report.

38 Subsequent events

COVID-19 related developments after the balance sheet date

NIBC has monitored and assessed information received after the end of the reporting period, until the condensed consolidated interim financial report for the period ended 30 June 2020 was approved for issuance on 12 August 2020. In light of developments until this moment, NIBC has decided to include a significant management overlay to the calculated ECL allowance. This adjusment aims to address the continuously developing insights into the impact of COVID-19 on the economy as a whole as well as on NIBC's portfolios specifically. Still, significant uncertainty remains regarding how the Covid-19 pandemic will continue to unfold, the duration of the pandemic and the extent and timing of the economic recovery.

The Hague, 12 August 2020

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

OTHER INFORMATION

Independent auditor's review report

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

Our conclusion

We have reviewed the condensed consolidated interim financial report included in the accompanying condensed interim report of NIBC Bank N.V. based in 's Gravenhage for the period from 1 January 2020 to 30 June 2020.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial report of NIBC Bank N.V. for the period from 1 January 2020 to 30 June 2020, is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

The condensed consolidated interim financial report comprises:

- The consolidated balance sheet
- The consolidated income statement
- The consolidated statement of other comprehensive income
- The consolidated statement of changes in equity
- The condensed consolidated cashflow statement
- The notes comprising of a summary of the significant accounting policies and selected explanatory information

Basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information in accordance with the Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the Our responsibilities for the review of the condensed consolidated interim financial report section of our report.

We are independent of NIBC Bank N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Emphasis of matter relating to uncertainty about Covid-19

The developments around the Covid-19 pandemic have a profound impact on people, society and on the economy. This impacts operational and financial performance of organizations and the assessment of the ability to continue as a going concern. The impact may continue to evolve, giving rise to complexity and inherent uncertainty. NIBC Bank N.V. is confronted with this uncertainty as well.

The condensed consolidated interim financial report and our review report thereon reflect the conditions at the time of preparation, including the uncertainty and the impact on significant assumptions and estimations, that are disclosed in the notes to the condensed consolidated interim financial report in section Accounting Policies under the heading Impact of the Covid-19 crisis, the disclosures 12 Credit loss expense and 37 Important events and transactions. We draw attention to these disclosures. Our conclusion is not modified in respect of this matter.

Responsibilities of management and the Supervisory Board for the condensed consolidated interim financial report

Management is responsible for the preparation and presentation of the condensed consolidated interim financial report in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the condensed consolidated interim financial report that is free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing NIBC Bank N.V.'s financial reporting process.

Our responsibilities for the review of the condensed consolidated interim financial report

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The level of assurance obtained in a review engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with Dutch Standard 2410. Our review included among others:

- Updating our understanding of NIBC Bank N.V. and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the condensed interim financial information where material misstatements are likely to arise due to fraud or error, designing and performing analytical and other review procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion
- Obtaining an understanding of internal control as it relates to the preparation of condensed consolidated interim financial report
- Making inquiries of management and others within NIBC Bank N.V.
- Applying analytical procedures with respect to information included in the condensed consolidated interim financial report
- Obtaining assurance evidence that the condensed consolidated interim financial report agrees with, or reconciles to, NIBC Bank N.V.'s underlying accounting records
- Evaluating the assurance evidence obtained
- Considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle
- Considering whether management has identified all events that may require adjustment to or disclosure in the condensed consolidated interim financial report
- Considering whether the condensed consolidated interim financial report has been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement

Amsterdam, 12 August 2020

Ernst & Young Accountants LLP

Signed by N.Z.A. Ahmed-Karim

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, %
- Return on assets, %
- 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 2020	2019	2018
Dividend pay-out H1 2020	0		
Profit after tax H1 2020	6		
Dividend pay-out ratio H1 2020 (%)	**0**		
Dividend pay-out 2019 (page 35 annual report NIBC Bank N.V.)		190	
Profit after tax 2019 (page 134 annual report NIBC Bank N.V.)		190	
Dividend pay-out ratio 2019 (%)		**100**	
Dividend pay-out 2018 (page 33 annual report NIBC Bank N.V.)			229
Profit after tax 2018 (page 108 annual report NIBC Bank N.V.)			229
Dividend pay-out ratio 2018 (%)			**100**

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	H1 2020	2019	2018
Operating expenses H1 2020	108		
Operating income H1 2020	206		
Cost/income ratio H1 2020 (%)	**52**		
Operating expenses 2019 (page 134 annual report NIBC Bank N.V.)		229	
Operating income 2019 (page 134 annual report NIBC Bank N.V.)		524	
Cost/income ratio 2019 (%)		**44**	
Operating expenses 2018 (page 106 annual report NIBC Bank N.V.)			224
Operating income 2018 (page 106 annual report NIBC Bank N.V.)			550
Cost/income ratio 2018 (%)			**41**

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 2020	2019	2018
Annualised net profit attributable to parent shareholder	12		
Total shareholder's equity at the start of financial year	1,756		
Return on equity H1 2020 (%)	**0.7**		
Net profit attributable to parent shareholder (page 134 annual report NIBC Bank N.V.)		190	
Total shareholder's equity at the start of financial year (page 138 annual report NIBC Bank N.V.)		1,858	
Return on equity 2019 (%)		**10.2**	
Net profit attributable to parent shareholder (page 106 annual report NIBC Bank N.V.)			229
Total shareholder's equity at the start of financial year (page 110 annual report NIBC Bank N.V.)			1,740
Return on equity 2018 (%)			**13.2**

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

Return on assets

Return on assets measures the net profit in relation to the total outstanding assets as of the beginning of the financial year. It provides meaningful information on NIBC's ability to generate income from the available assets. Return on assets is calculated as the ratio of (i) annualised net profit attributable to parent shareholder to (ii) total assets at the beginning of the financial year. All elements of the return on assets reconcile to NIBC's consolidated financial statements.

$$\textbf{Return on assets} = \frac{\textbf{Annualised net profit attributable to parent shareholder}}{\textbf{Total assets at the beginning of the year}}$$

Return on assets[1]	H1 2020	2019	2018
Annualised net profit attributable to parent shareholder	12		
Total assets at the beginning of the financial year	22,407		
Return on assets H1 2020 (%)	**0.05**		
Net profit attributable to parent shareholder (page 134 annual report NIBC Bank N.V.)		190	
Total assets at the beginning of the financial year (page 136 annual report NIBC Bank N.V.)		21,716	
Return on assets 2019 (%)		**0.9**	
Net profit attributable to parent shareholder (page 106 annual report NIBC Bank N.V.)			217
Total assets at the beginning of the financial year (page 108 annual report NIBC Bank N.V.)			21,884
Return on assets 2018 (%)			**0.99**

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 current and previous 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.

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

Cost of risk	H1 2020	2019	2018
Annualised credit losses on AC loans	159		
Annualised credit losses FVTPL loans	-1		
Total credit losses	158		
Risk-weighted assets H1 2020	8,170		
Risk-weighted assets 2019	8,597		
Average risk-weighted assets 2019	8,383		
Cost of risk H1 2020 (%)	**1.88**		
Credit losses on AC loans (page 134 annual report NIBC Bank N.V.)		49	
Credit losses FVTPL loans		3	
Total credit losses		52	
Risk-weighted assets 2019 (page 13 annual report NIBC Bank N.V.)		8,597	
Risk-weighted assets 2018 (page 13 annual report NIBC Bank N.V.)		7,723	
Average risk-weighted assets 2019		8,160	
Cost of risk 2019 (%)		**0.64**	
Credit losses on AC loans (page 31 annual report NIBC Bank N.V.)			54
Credit losses FVTPL loans			5
Total credit losses			59
Risk-weighted assets 2018 (page 10 annual report NIBC Bank N.V.)			7,723
Risk-weighted assets 2017 (page 10 annual report NIBC Bank N.V.)			8,546
Average risk-weighted assets 2018			8,135
Cost of risk 2018 (%)			**0.72**

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 2020	2019	2018
Annualised credit losses on amortised cost loans and mortgage loans	159		
Average financial assets at amortised cost: loans[1]	7,297		
Average financial assets at amortised cost: mortgage loans[1]	10,103		
Average financial assets regarding loans and mortgage loans (total)	**17,400**		
Impairment ratio H1 20202 (%)	**0.91**		
Credit losses on amortised cost loans and mortgage loans (page 134 annual report NIBC Bank N.V.)		49	
Average financial assets at amortised cost: loans (page 136 annual report NIBC Bank N.V.)		7,716	
Average financial assets at amortised cost: mortgage loans (page 136 annual report NIBC Bank N.V.)		9,748	
Average financial assets regarding loans and mortgage loans (total)		17,463	
Impairment ratio 2019 (%)		**0.28**	
Credit losses on amortised cost loans and mortgage loans (page 106 annual report NIBC Bank N.V.)			54
Average financial assets at amortised cost: loans (page 108 annual report NIBC Bank N.V.)			7,796
Average financial assets at amortised cost: mortgage loans (page 108 annual report NIBC Bank N.V.)			9,220
Average financial assets regarding loans and mortgage loans (total)			**17,016**
Impairment ratio 2018 (%)			**0.32**

1 Loans and residential mortgages are represented post IFRS 9 implementation

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.

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

NPL ratio[1]	H1 2020	2019	2018
Non performing exposure corporate loans H1 2020	503		
Non performing exposure lease exposure H1 2020	30		
Non performing exposure mortgage loans H1 2020	22		
Non performing exposure H1 2020	555		
Total corporate loans drawn and undrawn H1 2020	8,034		
Total lease exposure H1 2020	32		
Total retail client assets H1 2020	9,761		
Total exposure 2019	17,826		
NPL ratio H1 2020 (%)	**3.1**		
Non performing exposure corporate loans 2019 (page 66 annual report NIBC Bank N.V.)		423	
Non performing exposure lease exposure 2019 (page 66 annual report NIBC Bank N.V.)		30	
Non performing exposure mortgage loans 2019 (page 66 annual report NIBC Bank N.V.)		10	
Non performing exposure 2019		464	
Total corporate loans drawn and undrawn 2019 (page 12 annual report NIBC Bank N.V.)		9,076	
Total lease exposure (page 12 annual report NIBC Bank N.V.)		35	
Total retail client assets 2019 (page 12 annual report NIBC Bank N.V.)		9,795	
Total exposure 2019		18,906	
NPL ratio 2019 (%)		**2.5**	
Non performing exposure corporate loans 2018 (page 57 Annual report NIBC Bank N.V.)			503
Non performing exposure mortgage loans 2018 (page 57 Annual report NIBC Bank N.V.)			20
Non performing exposure 2018			523
Total corporate loans drawn and undrawn 2018 (page 10 Annual report NIBC Bank N.V.)			9,705
Total retail client assets 2018 (page 10 Annual report NIBC Bank N.V.)			9,275
Total exposure 2018			18,980
NPL ratio 2018 (%)			**3**

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. As only stage 3 consists of actual credit impaired assets, the Impairment coverage ratio is calculated using only stage 3 impairments as of 2018.
Inclusion of stage 1 and 2 credit losses would generate an unreliable measure as these impairments do not relate to impaired assets.

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 2020	2019	2018
Balance stage 3 credit losses on loans (loans, leases and mortgages)	166		
Total stage 3 credit impaired exposure H1 2020	484		
Impairment coverage ratio H1 2020 (%)	**34**		
Balance stage 3 credit losses on loans		140	
Total stage 3 credit impaired exposure 2019 (page 66 annual report NIBC Bank N.V.)		418	
Impairment coverage ratio 2019 (%)		**33**	
Balance stage 3 credit losses on loans (page 181 annual report NIBC Bank N.V.)			139
Total stage 3 credit impaired exposure 2018 (page 57 annual report NIBC Bank N.V.)			446
Impairment coverage ratio 2018 (%)			**31**

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

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 2020	2019	2018
Financial assets at amortised cost: loans	6,901		
Financial assets at amortised cost: residential mortgages	9,786		
Financial assets at amortised cost: securitised residential mortgages	377		
Financial assets at fair value through profit or loss: loans	138		
Financial assets regarding loans and residential mortgages (total)	**17,202**		
Deposits from customers	**11,564**		
Loan to deposit ratio H1 2020 (%)	**149**		
Financial assets at amortised cost: loans (page 136 annual report NIBC Bank N.V.)		7,661	
Financial assets at amortised cost: residential mortgages (page 136 annual report NIBC Bank N.V.)		9,637	
Financial assets at amortised cost: securitised residential mortgages (page 136 annual report NIBC Bank N.V.)		407	
Financial assets at fair value through profit or loss: loans (page 136 annual report NIBC Bank N.V.)		142	
Financial assets regarding loans and residential mortgages (total)		**17,848**	
Deposits from customers (page 137 annual report NIBC Bank N.V.)		**11,397**	
Loan to deposit ratio 2019 (%)		**157**	
Financial assets at amortised cost: loans (page 108 annual report NIBC Bank N.V.)			7,770
Financial assets at amortised cost: residential mortgages (page 108 annual report NIBC Bank N.V.)			8,990
Financial assets at available for sale: loans (page 108 annual report NIBC Bank N.V.)			461
Financial assets at fair value through profit or loss: loans (page 108 annual report NIBC Bank N.V.)			148
Financial assets regarding loans and residential mortgages (total)			**17,369**
Deposits from customers (page 109 annual report NIBC Bank N.V.)			**11,267**
Loan to deposit ratio 2018 (%)			**154**

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	H1 2020	2019	2018
Sum interest income last 12 Months	413		
12 Month average interest bearing assets	21,283		
Net interest margin H1 2020 (%)	**1.94**		
Sum interest income last 12 Months 2019 (page 134 annual report NIBC Bank N.V.)		417	
12 Month average interest bearing assets		20,916	
Net interest margin 2019 (%)		**1.99**	
Sum interest income last 12 Months 2018 (page 106 annual report NIBC Bank N.V.)			432
12 Month average interest bearing assets			20,528
Net interest margin 2018 (%)			**2.10**

DISCLAIMER

Presentation of information

The Annual Accounts of NIBC Bank N.V. ('NIBC') 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 Report (NIBC) for the six months period ended 30 June 2020 (the 'Financial Report'), the same accounting principles are applied as in the 2019 NIBC'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'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'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'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'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 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 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.