NIBC

CONDENSED INTERIM REPORT 2020

NIBC HOLDING 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 has been 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.

For a download of this report or more information, please refer to:

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AT A GLANCE

WHO WE ARE

OUR HERITAGE

NIBC is a publicly listed company on the Amsterdam Stock Exchange (NIBC.AS) and was founded in 1945 to finance the visionary entrepreneurs who helped rebuild the Netherlands after World War II. Over time, we evolved into an enterprising bank offering financing, advisory and co-investing solutions to our clients. Following the 2008 crisis, we reinvented ourselves: being flexible and agile, with a 'THINK YES' mentality to match our clients' can-do attitude. Since then NIBC has reached many milestones with the launch of NIBC Direct and Beequip and the acquisition of Gallinat Bank in Germany. We took steps into the fintech space by obtaining full ownership of Lendex, in addition to our minority stakes in Ebury and OakNorth.

Together with our institutional partners, we are expanding our originate-to-manage propositions, developing and optimising our position in the financial ecosystem. We have continued to build on our entrepreneurial DNA to become the company that we are today: best suited to help our clients at their decisive moments. Now and in the future, with the COVID-19 worldwide pandemic this will be even more important than ever.

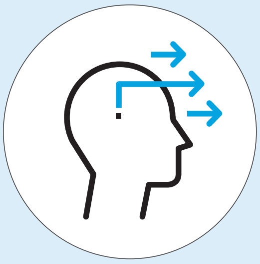
OUR PURPOSE

Making a difference
at decisive moments

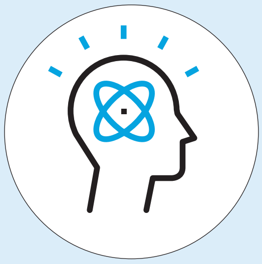
OUR VALUES

Our strategy is to create a sustainable franchise for the future by focusing on our greatest strengths. Our strategy is based on our three values. We are:

Professional
Our in-depth sector know-ledge, expert solutions and tailored risk and portfolio management are the foundation of our success. We are firmly focused on the future, and work hard to anticipate trends and the impact they could have on our clients and their needs.



Entrepreneurial
We are a sound and enterprising bank focused on decisive moments in our clients' business and in life. Our clients require a bank that can respond to their needs in an agile way. We cultivate what we call the 'THINK YES' mentality.



Inventive
We provide bespoke solutions and encourage our people to think creatively to meet clients' needs. Structuring is part of our DNA. Our inventiveness ensures we can adapt to our fast-changing world and seize opportunities.

WHAT WE DO

OUR BUSINESS MODEL

We serve a corporate and retail client franchise, with a differentiated approach, bringing bespoke financial solutions to clients in chosen sectors and with a continuous focus on optimising the offering to our clients in line with the strategic objectives of the bank. We are client-oriented, present at their decisive moments. We offer a broad and relevant product suite for these entrepreneurial clients.

CORPORATE CLIENT OFFERING

- Focus on mid-market corporate clients
- Focus on specific sectors and product solutions, ranging from advice and structuring to financing and investing
- Growth engines originating more granular exposures in niche markets

EUR 8.9 billion client assets

Typical ticket size: EUR 0.1 - 50 million

RETAIL CLIENT OFFERING

- Mortgages ranging from owner-occupied to buy-to-let
- Mortgage origination for institutional investors
- Online savings

EUR 9.8 billion client assets

Typical ticket size: EUR 0.1 - 2.5 million

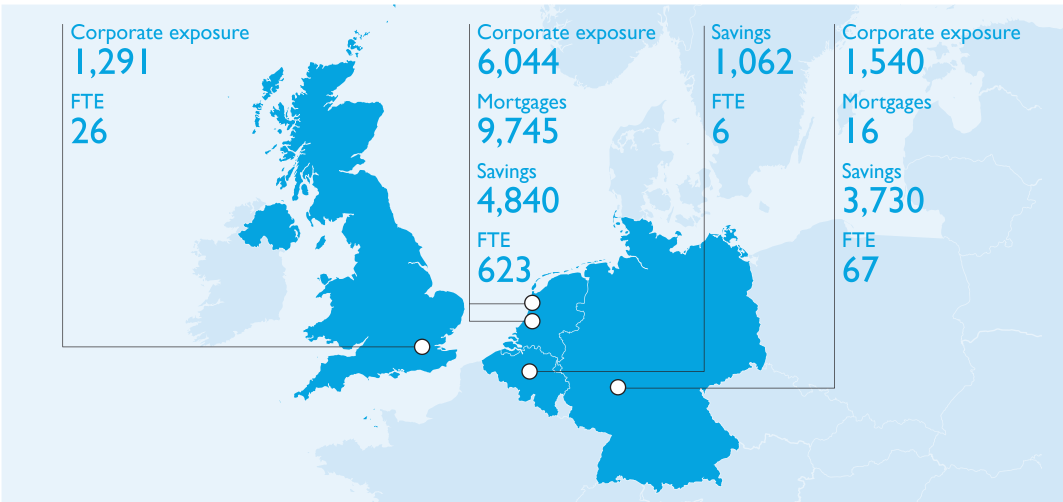
TREASURY & ASSET LIABILITY MANAGEMENT

RISK MANAGEMENT / CORPORATE CENTRE

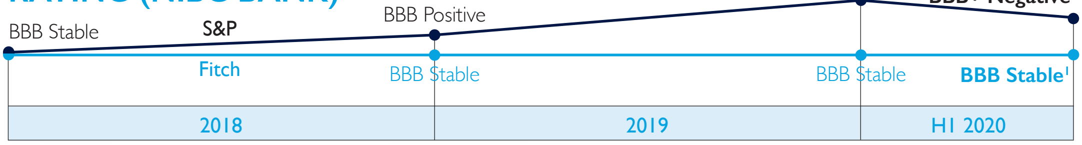
OUR MARKETS

Focus on north-western Europe

in EUR millions



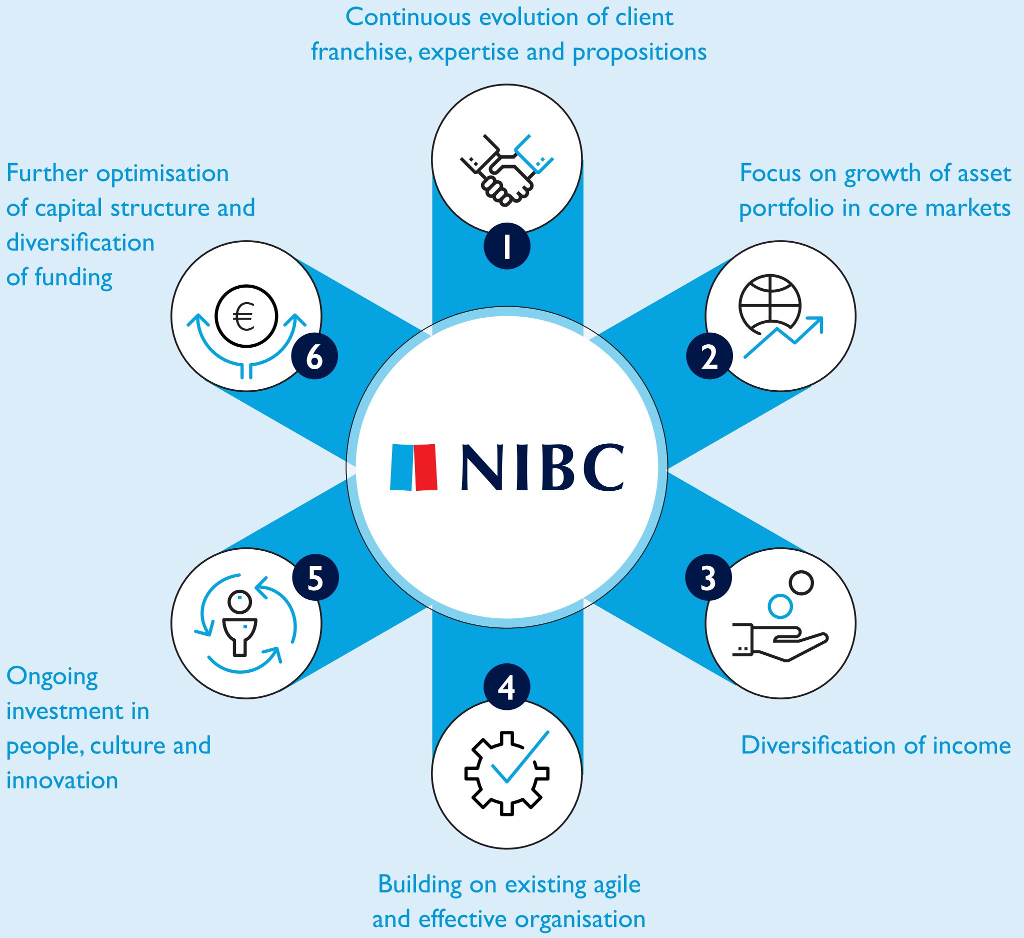
RATING (NIBC BANK)



[1] Fitch placed NIBC on negative watch as per April 2020.

OUR KEY STRATEGIC PRIORITIES

We continue to drive profitable growth through our differentiated market approach. We focus on building client relationships in profitable niches and (sub)sectors in north-western Europe, where we can leverage our local expertise, while maintaining a lean organisation with disciplined cost control. We aim to make a difference for our corporate and retail clients at their most decisive moments – today and tomorrow. We have made clear choices to advance that mission, which are summarised in our six strategic priorities for growth.



1. We strive for **continuous evolution of our client franchise, expertise and propositions.**
2. We aim to **grow our asset portfolio in core markets** by focusing on profitable niches and (sub)sectors in north-western Europe – where we can leverage our local expertise and market positions.
3. We aim to **diversify our income** streams. A good example is our fee-generating originate-to-manage mortgage business line, which we started in 2016.
4. **Building on existing agile and effective organisation.** We are firmly focused on the future and work hard to anticipate trends and the impact they could have on our clients and their needs.
5. We continue to invest in **our people, culture and innovation** to ensure that we stay ahead of the curve and deliver the best possible experience to our clients.
6. We strive to **further optimise our capital structure and diversify our funding base,** so we can continue to support our clients well into the future.

NON-FINANCIAL HIGHLIGHTS

Corporate lending NPS score

H1 2020

+35%

2019: +47% 2018: +63%

NIBC Direct customer survey score

2019 (not updated for H1 2020)

7.9

2018: 7.7

Sustainability ratings

H1 2020

Oekom

C+

/Prime

Sustainalytics

22

RepRisk

AAA

/AA

MSCI

AA

Screening corporate loans

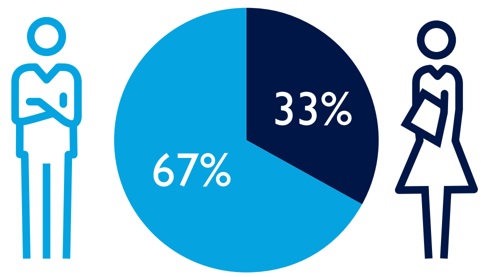
H1 2020

100%

2019: 100% 2018: 100%

Male/female ratio

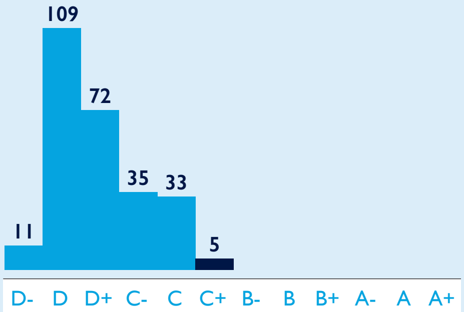
H1 2020



2019: 68% / 32% 2018: 69% / 31%

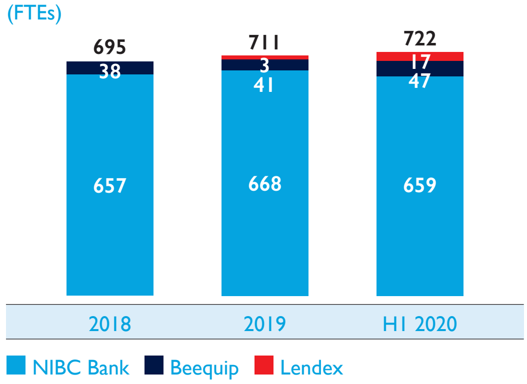
Distribution of Oekom rating

265 companies in the industry



Number of employees

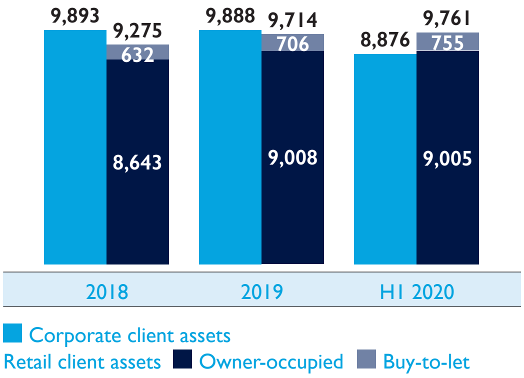
(FTEs)



FINANCIAL HIGHLIGHTS

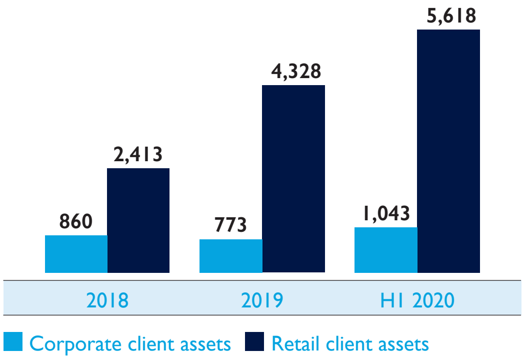
Client exposures

in EUR millions

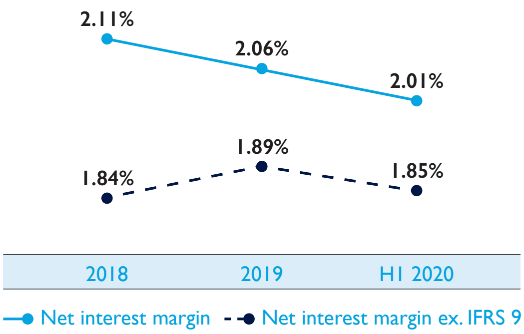


Originate-to-manage assets

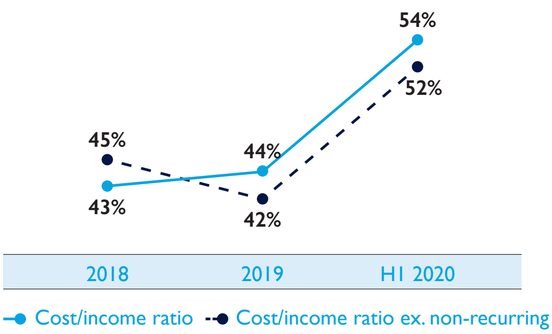
in EUR millions



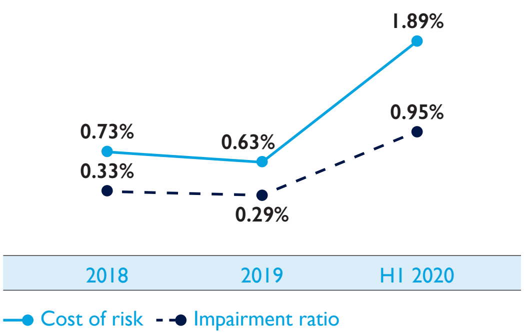
Net interest margin



Cost/income ratio

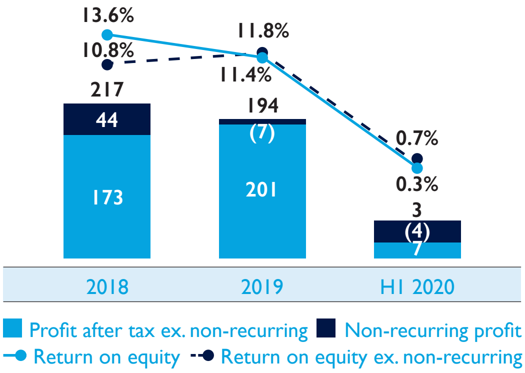


Cost of risk/impairment ratio

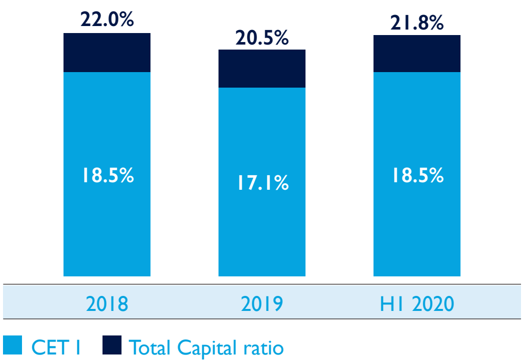


Profit after tax attributable to shareholders and return on equity

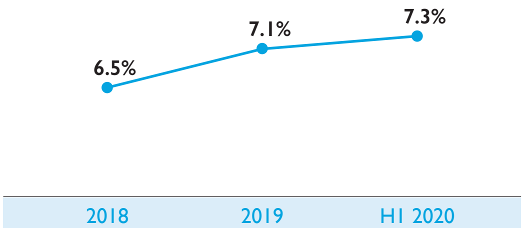
in EUR millions



Solvency ratios[1]



Leverage ratio



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

KEY FIGURES

Earnings

	H1 2020	ex. non-recurring H1 2020[1]	2019	ex. non-recurring 2019	2018
Operating income	215	215	537	537	551
Operating expenses	117	112	237	228	239
Profit after tax	9	13	206	213	229
Profit after tax attributable to shareholders	3	7	194	201	217
Cost/income ratio[2]	54%	52%	44%	42%	43%
Net interest margin[2]	2.01%	2.01%	2.06%	2.06%	2.11%
Return on equity[2]	0.3%	0.7%	11.4%	11.8%	13.6%
Return on assets[2]	0.03%	0.06%	0.90%	0.93%	0.99%

1 Details on non-recurring items can be found in the Financial review section.
2 Items are Alternative Performance Measures (APM). The calculations of those items are explained in the APM section.

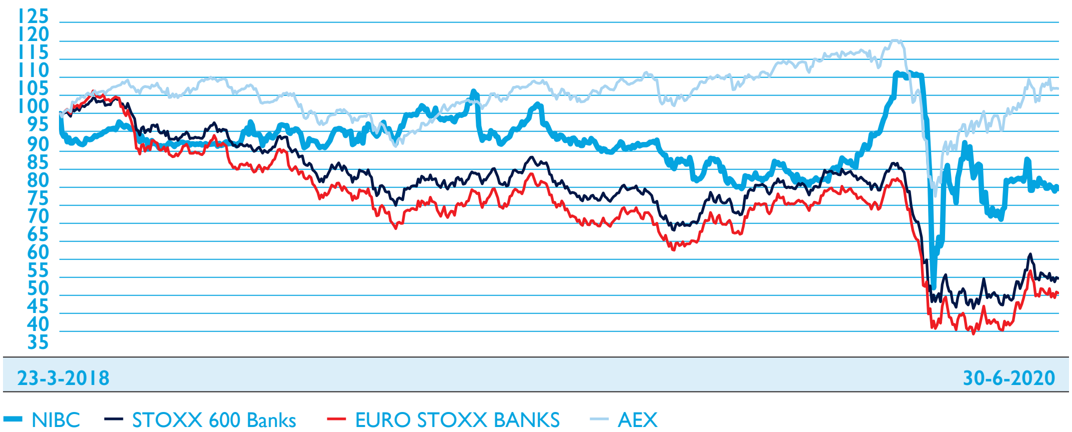
Share price

	H1 2020	ex. non-recurring H1 2020	2019	ex. non-recurring 2019	2018
Number of shares outstanding[1]	146	146	146	146	146
Number of diluted shares outstanding[1]	146	146	146	146	146
Earnings per share basic – annualised	0.04	0.09	1.33	1.37	1.48
Earnings per share diluted – annualised	0.04	0.09	1.32	1.37	1.48
Dividend proposed	0	0	114	114	126
Dividend pay-out ratio[2]	0%		59%		58%
Dividend per share	-		0.78		0.86
Dividend yield	0%		10%		10%
Price/earnings ratio	178.91		5.67		5.59
Price/book ratio	0.55		0.60		0.69
Closing price	6.94		7.52		8.31
Market capitalisation	1,016		1,100		1,216

1 In millions.
2 Items are Alternative Performance Measures (APM). The calculations of those items are explained in the APM section.

Share price

Indexed share price



Portfolio

	H1 2020	2019	2018
Corporate client assets (drawn & undrawn)			
Commercial Real Estate	1,127	1,578	1,307
Energy	672	735	841
Financial Sponsors & Leverage Finance	956	1,042	1,353
Fintech & Structured Finance	1,287	1,310	1,028
Infrastructure	1,590	1,729	1,621
Mid Market Corporates	1,334	1,458	1,490
Shipping	895	1,011	1,370
Total corporate loans (drawn & undrawn)	**7,861**	**8,862**	**9,010**
Lease receivables	571	509	429
Investment loans	173	214	240
Equity investments	271	303	215
Total corporate client assets (drawn & undrawn)	**8,876**	**9,888**	**9,893**
Retail client assets			
Owner-occupied mortgage loans – Netherlands	8,989	8,989	8,537
Buy-to-let mortgage loans	755	706	632
Owner-occupied mortgage loans – Germany	16	19	29
Total retail client assets	**9,761**	**9,714**	**9,198**
Originate-to-Manage assets			
Corporate client assets	1,043	773	860
Retail client assets	5,618	4,328	2,413
Total Originate-to-Manage assets	**6,661**	**5,101**	**3,273**
Retail client savings			
Netherlands	4,840	4,577	3,909
Germany	3,730	3,894	4,072
Belgium	1,062	1,019	940
Total retail client savings	**9,632**	**9,490**	**8,921**
Asset quality			
Cost of risk[1]	1.89%	0.63%	0.73%
Impairment ratio[1]	0.95%	0.29%	0.33%
Impairment coverage ratio[1]	34%	33%	30%
NPL ratio[1]	3.0%	2.4%	2.8%
Top-20 exposure / Common Equity Tier 1	75%	93%	77%
Exposure corporate arrears > 90 days	1.6%	1.2%	2.7%
Exposure residential mortgage loans arrears > 90 days[2]	0.2%	0.1%	0.2%
Loan-to-value Dutch residential mortgage loans	66%	68%	72%
Loan-to-value BTL mortgage loans	53%	52%	52%

1 Items are Alternative Performance Measures (APM). The calculations of those items are explained in the APM section.
2 As from H1 2020 this ratio includes the lease receivables.

Solvency information

	H1 2020	2019	2018
Equity attributable to shareholders of the company	1,831	1,848	1,755
AT1 and subordinated liabilities	429	484	478
Group capital base	2,260	2,332	2,233
Common Equity Tier 1 capital	1,580	1,516	1,444
Balance sheet total	22,233	22,375	21,550
Risk-weighted assets	8,538	8,841	7,805
Common Equity Tier 1 ratio[1]	18.5%	17.1%	18.5%
Tier 1 ratio[1]	19.7%	18.5%	19.9%
Total capital ratio[1]	21.8%	20.5%	22.0%
Leverage ratio	7.3%	7.1%	6.5%

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

Funding & liquidity

	H1 2020	2019	2018
LCR	270%	222%	241%
NSFR	124%	121%	123%
Loan-to-deposit ratio[1]	149%	156%	152%
Asset encumbrance ratio	28%	28%	26%
Retail savings / total funding	43%	42%	42%
Secured funding / total funding	22%	22%	21%
ESF / total funding	5%	5%	7%

1 Items are Alternative Performance Measures (APM). The calculations of those items are explained in the APM section.

Non-financial key figures

	H1 2020	2019	2018
NPS score corporate lending clients	+35%	+47%	+63%
NIBC Direct customer survey score[1]	7.9	7.9	7.7
% of new corporate loans screened against sustainability policy	100%	100%	100%
Number of new corporate clients with increased sustainability risk assessment	5	10	25
Fines or sanctions for non-compliance with laws and regulations	-	-	1
Total number of FTEs end of financial period	722	711	695
Male/female ratio	67% / 33%	68%/32%	69%/31%
Male/female ratio top management	83% / 17%	85%/15%	85%/15%
Training expenses per employee (EUR)	898	3,352	3,101
Absenteeism (trend total)	1.9%	2.0%	2.1%
Employee turnover (employees started)	10.9%	20.6%	19.2%
Employee turnover (employees left)	9.3%	18.6%	18.5%

1 Relates to 2019. Score has not been updated for H1 2020.

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 3 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 leasing through Beequip, 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 leasing offering through Beequip, offering second hand rolling stock leasing equipment to the Dutch local market displayed a positive result of EUR 2 million, with a 14% growth of the portfolio. 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 1.0 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 18.5% 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 54%, coming from 46% 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 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 DEVELOPMENTS

The COVID-19 pandemic

The COVID-19 pandemic (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. Also for NIBC, these circumstances have had a significant impact on the operations during the first half of 2020. In reaction to COVID-19, NIBC has implemented a wide range of measures to address the various challenges, including:

- Safeguarding the well-being of our employees has been an immediate and highest priority. With immediate and full remote working for nearly all staff (>95%), NIBC has been able to create a situation in which all staff could continue work in a responsible manner, ensuring seamless working together with our clients and other stakeholders. Skeleton staff has been present at the office to ensure continuity, taking into account special measures. Technology investments made in previous years are paying off with no critical interruptions observed to date.
- NIBC has significantly increased its portfolio management efforts. In line with sector-wide efforts and the call from governments and regulators alike, NIBC has taken a facilitating stance towards its clients, providing temporary liquidity support in the form of payment deferrals and other measures to help clients address the effects of the COVID-19 crisis. NIBC decided to focus its efforts towards its clients through tailored measures rather than to participate in any moratoria – legislative or non-legislative – on loan repayments.
- Credit losses are elevated following the impact of COVID-19. Given the uncertainty regarding the impact of the crisis on the performance of its portfolios, NIBC has decided to apply a total management overlay of EUR 20 million on the ECL related to stage 1 and stage 2 assets. Of this overlay, EUR 15 million relates to the corporate loan portfolio and EUR 5 million relates to the mortgage loan portfolio.
- In response to COVID-19, NIBC has also focused on liquidity management, ensuring sufficient liquidity buffers are available to absorb increased demands from clients in terms of draw downs and payment deferrals, and to maintain solid liquidity ratios at all times.

There have also been several industry-wide responses, both by regulators and financial institutions. Regulators have responded by – amongst others – providing additional liquidity to financial markets, revising capital requirements and providing various guidelines regarding treatment of potentially forborne assets. As already indicated, NIBC has not participated in any legislative or non-legislative moratoria for corporate clients, preferring to take a case-by-case approach to ensure the best possible response is identified to support clients in these difficult times.

Conditional agreement on public offer NIBC Holding N.V.

On 25 February 2020, NIBC Holding N.V. and The Blackstone Group International Partners LLP (together with its affiliates, as the context requires, 'Blackstone') announced that they have reached a conditional agreement on a recommended all-cash public offer for all issued and outstanding shares in the capital of NIBC Holding N.V., not held by J.C. Flowers & Co (JCF) and Reggeborgh Invest B.V. (Reggeborgh), by an entity owned by Blackstone (the 'Offeror').

On 13 July 2020, NIBC published the amended merger protocol related to the all-cash public offer by the Offeror for all NIBC shares. Under the terms of the amended merger protocol the Offeror intends to make a recommended all-cash public offer for all issued and outstanding shares in the capital of NIBC at the Offer Price of EUR 7.00 per share. Public shareholders, other than JCF and Reggeborgh will receive NIBC's final dividend of EUR 0.53 per share for the financial year 2019, which will be paid unconditionally before settlement of the offer, and will result in public shareholders receiving EUR 7.53 per share, in aggregate.

On 7 August 2020, the Offer memorandum was published consistent with the merger protocol as amended on 10 July 2020. The acceptance period starts on 10 August 2020 and expires on 19 October 2020, unless the Offeror extends the Acceptance Period, in which case the closing date shall be the date on which the extended Acceptance Period expires.

NIBC's Managing Board and Supervisory Board fully and unanimously support and recommend the amended offer. The amended offer is also supported by NIBC's two largest shareholders, JCF and Reggeborgh, representing 60.6% and 14.7% of the shares respectively and 75.3% in aggregate. Each has irrevocably undertaken to tender its shares in the offer at the offer price of EUR 7.00 per share. Each has a conditional right to the final dividend of EUR 0.53 per share.

NIBC and the Offerer have also obtained the unconditional approval of the European Commission in connection with the offer. As a result all competition clearances required to close the offer have been obtained.

NIBC will hold an extraordinary general meeting of Shareholders on 7 October 2020, during which, amongst other matters, the offer will be discussed.

Intended merger NIBC Bank N.V. and NIBC Bank Deutchland AG

As announced in the Annual Report 2019, NIBC intends to merge NIBC Bank Deutschland AG into NIBC Bank N.V. The steps to finalise this merger are taken in line with the initial planning, and COVID-19 has not led to material deviations from the plan. This will allow NIBC to further simplify its organisation and be more agile.

In 2014, NIBC acquired Gallinat Bank in Germany. Important driver for this acquisition was its full membership with the *einlagensicherungsfonds* (ESF). This membership gave NIBC Bank Deutschland AG access to the German deposits market for corporate clients and institutional investors. As from January 2020 the terms and conditions of the ESF funding have been changed. As a result the ESF funding no longer meets the needs of NIBC Bank Deutschland AG adequately as this will be only short-term funding up to a maximum term of 18 months. Following this development, NIBC has reviewed its German organisation, and has concluded it can continue its German activities under its European passport, and therefore does not need to maintain a separate German banking licence, with the additional operational demands that are related to it.

The intended merger is scheduled to be realised in the course of second half 2020.

BUSINESS REVIEW

NIBC's primary business segments are its Corporate Client Offering segment and its Retail Client Offering segment. NIBC serves its clients from offices in The Hague, Amsterdam, Frankfurt, London and Brussels. For its Corporate Client Offering, NIBC provides services to approximately 500 corporate clients. Additionally, this segment services 1,500 small-medium sized leasing clients. For its Retail Client Offering, NIBC serves approximately 430,000 retail clients.

A clear niche focus and continuous reinvention are key success factors driven by innovation, changing regulation and sustainable development.

In Commercial real estate, for instance, NIBC focuses on two niches – short-term development financing and moderately leveraged investment financing in the Netherlands. These are offered across a balanced mix of subsectors including predominantly residential (granular underlying assets) and offices, retail, logistics and hotels. Within Fintech and structured finance, we offer our solutions to a balanced mix of clients including Fintech driven (start-up) companies and expanding companies that provide solutions for the SME/consumer lending market, addressing financing needs between EUR10-50 million, as clients in this range are typically underserved by larger traditional banks. In retail, our Buy-to-Let offering provides small and larger investors opportunity to invest in houses to let. Recently NIBC increased its service level to Buy-to-Let clients by offering the possibility to do business directly with an NIBC associate in addition to our intermediate channel.

We continue to reinvent our offering to fit the needs of our clients and our own risk appetite. For instance, NIBC has been a financier of infrastructure since our inception in 1945. We are transforming this portfolio from long-term traditional infrastructure such as roads, schools, and public-private infrastructure projects towards selective renewable projects and digital infrastructure projects.

The UN Sustainable Development Goals (SDGs) and environment, social and governance (ESG) are at the heart of our business strategy. For investor clients it is simply a prerequisite for doing business. NIBC has demonstrated credibility and potential to be seen as a leader with substantial growth potential across all segments the bank operates in.

NIBC has prioritised several SDGs as part of our sustainability strategy. These SDGs include Responsible Consumption and Production (SDG12), Economic Growth (SDG8), Industry & Innovation (SDG9), Sustainable Communities (SDG11) and Clean Energy (SDG7). We have translated this into each segment strategy. In Shipping, for example, we finance modern slower-sailing small and medium-sized vessels which have better environmental sustainability performance than larger or older faster-sailing vessels. In retail, with our newly launched product Lot, we are stimulating energy efficiency improvements through highly affordable mortgages. More generally, we aim at becoming a partner for investment and/or financing that supports transformation efforts, across all lending segments (Retail/consumer, Corporate clients and SME).

Finally, regulation evolution over the years has led us to adapt our risk appetite and rebalance our balance sheet towards more granular assets. This is true across segments as well as within each segment, each sector. In the light of the COVID-19 crisis and its aftermath, this strategy has allowed us to maintain our capital ratios well above our minimum capital levels as set out in our medium term objectives during the first half of 2020, which, in turn will allow us to support our clients in this decisive moment.

CORPORATE CLIENT OFFERING

The trends of sustainability and technology are irreversible and prerequisite for NIBC and our clients, driving the choices we make. NIBC has focused its corporate client offering around these overarching trends, tailoring the origination, execution and portfolio management of its core products to specific client needs. This approach provides growth potential in combination with scalability. Corporate clients are served from our offices in The Hague, Frankfurt and London.

As a speciality financier we differentiate ourselves from traditional peers by the fact that we do not operate a brick and mortar branch network, nor do we offer current accounts, transaction banking or other 'flow' financial products to corporate clients.

Instead, NIBC's corporate client offering focuses on products and services such as senior debt, mezzanine and equity financing, and advisory products that companies need at decisive moments. We organise this offer by sectors and products. With this offering, we focus on serving medium-sized corporate clients in selected asset classes in north-western Europe with the purpose to enable them to achieve their goals.

We have the ambition to ensure NIBC becomes the preferred partner in these niches. For example, NIBC has recently invested in and co-developed Fintechs to serve underserved clients in new digitally enabled ways. NIBC's corporate portfolio revolves around two main themes, Sustainability & Transformation and Growth & Innovation. These themes provide us with a strong basis to increase focus and fully utilise our core competence of finding bespoke solutions for complex financial questions in specific underserved markets.

NIBC proactively and continuously adapts its commercial strategies depending on market circumstances. This agility has served NIBC's clients and other stakeholders well; particularly in recent months. COVID-19 has presented an unprecedented challenge to global markets and businesses, including those served by NIBC. As a result of NIBC's own digital transformation and operational preparedness, service to clients throughout this period was uninterrupted. Since mid March 2020, when the crisis took hold in north-western Europe, NIBC has prioritised support for existing clients ahead of new origination.

During the first half of 2020, beyond the response to COVID-19, NIBC has continued to transform towards a better risk/reward ratio, standardised and digitalised business model, distinguishing ourselves with bespoke financing solutions and the ability to execute transactions swiftly. To optimise our balance sheet and improve the quality of our risk profile, since 2018, NIBC has shifted towards smaller ticket corporate business in areas such as leasing and collateralised lending. We maintain our focus on high growth and technology focused asset classes, while ensuring there is significant potential to scale. We also shift towards products and offering that better fit the two trends that we see as irreversible going forward: technology and sustainability.

Since year-end 2019, corporate client assets decreased by 10%. This is a reflection of our deliberate reduction of certain asset classes, as indicated in the Capital Market Update in 2018, as well as the decrease in origination volume and increase in prepayments. due to the COVID-19 crisis.

Asset classes in which we aim to transform, grow or consolidate, display an increase of 3% since the end of 2018, when NIBC announced its rebalancing strategy, as the bank has worked to transform the nature of the transactions in these asset classes. Originated volumes have fully covered the repayments of older exposure which nonethless limit the increase. These portfolios continue to represent around 50% of our corporate client exposures.

- A shift from long-dated financings normally associated with traditional infrastructure towards shorter-dated digital infrastructure. New origination has focused on financing data centres, glass fibre networks, port storage facilities and flexible renewable power with relatively shorter tenors. Digital infrastructure projects remain attritive, generally lower cost, easier to deliver, and easier to monetize than massive transportation and energy projects, and thus are deemed less risky and more attractive to investors. It is also believed that the sector recovery following the COVID-19 crisis will be quicker than other sectors and will resume at the same level as before the crisis. Our clear focus on a limited number of subsectors has created a first mover advantage, clear marketing (our potential clients know what we do) and efficient deal selection and execution.
- In Commercial real estate, NIBC focuses on two niches – short-term development financing and moderately leveraged investment financing in the Netherlands. Focus on value-added for non-standard solutions in the Dutch market leads to smaller tickets and a larger client base, a granular portfolio with shorter tenors. In the first half of 2020, this segment decreased by about EUR 450 million. This is mainly due to prioritising portfolio management over new origination. In this segment, with shorter tenors, decreased origination in the first semester led to this decrease. This reduction also includes a scheduled repayment of about EUR 200 million with respect to a facility to Reggeborgh.
- Through Beequip, the lease receivables portfolio continued to increase during the first half of 2020. It's portfolio grew by almost 14% in the first half of 2020. In this period, the portfolio spread increased with 2bps to 4.96%, confirming the strategy to develop that portfolio.
- In January 2020, NIBC launched OIMIO. OIMIO is a provider of commercial real estate loans from EUR 1 million up to EUR 10 million to support Dutch small and medium-sized enterprises (SMEs) in their growth ambitions. OIMIO tailors solutions for each new client based on the characteristics of the collateral. Our OIMIO proposition can leverage on our broad experience in the commercial real estate financing market. We will apply this experience, combined with our entrepreneurial spirit, efficient processes and human touch, to help SMEs grow. First originations of OIMIO occurred in H1 2020 despite the difficult market circumstances.
- Fintech & Structured Finance supports fintech companies with bespoke financings, lease lending, and trade receivables solutions based on recurring contracted revenues. Looking ahead, we will focus our product offering through a more granular portfolio.
- In Investment loans, we have worked closely with our clients during the COVID-19 crisis and we have offered tailor-made solutions where needed.

In other asset classes, we have reshaped our approach to sharpen deal selection, increase execution and focus on portfolio management. In some sectors or sub sectors, we even aim at reducing our exposures. In those asset classes, exposures have decreased by around 30% since year-end 2018. The weight in the total exposures in the corporate client offering decreased from around 40% in 2018 to approximately 30%.

- In Shipping, NIBC finances modern small and medium-sized maritime assets, standardised intermodal equipment (non freight handling). We focus on our existing geographical presence. Our conservative structuring approach with early warning mechanisms and active portfolio management has been beneficial during H1 2020. The portfolio has decreased during the first half year of 2020 due to the priority given to acive portfolio management during the period and is satisfactorily withstanding otherwise volatile market trends. We are continuing to focus on standardisation of framework for deal execution and portfolio management.
- In Financial Sponsors & Leveraged Finance, we have given our full attention to improving asset quality through a dedicated and forward looking portfolio management approach. We aim to decrease our on balance sheet portfolio to around EUR 0.9 billion by year-end 2020.

- In Energy, the market has remained challenging for the past seven years, and a turnaround is not expected soon, evidenced by the recent significant drop in crude oil prices. While NIBC continues to support offshore energy services companies which are taking action to transition towards offshore renewables services, we continue to responsibly reduce our exposures to offshore fossil fuel energy and the related greenhouse gas emissions, consistent with our choice to support sustainability.

On 15 January 2020, we announced the discontinuation of our capital market activities (fixed income, debt capital markets, equity capital markets). We deemed these activities not to be sufficiently scalable due to rapidly changing regulatory environments and market circumstances. In the first half of 2020, we executed this discontinuation as planned.

In addition to these developments of NIBC's portfolios, we have also continued to develop our Originate-to-Manage model for asset classes within the corporate client offering and are increasing the number of OTM partners that we do business with. It serves to help increase institutional investor access to the private debt market, creating additional value for unlisted mid-sized and family-owned corporates. At the same time, this has the potential to grow origination volumes and the total portfolio under management and to increase income diversification within the corporate client offering. In the first half of 2020, OTM assets on the corporate client offering segment increased due to a partnership with an institutional partner and the issuance of North Westerly VI, the first ESG compliant CLO. This led to an increase of around 35% in our OTM portfolio. This has not translated to an increase in OTM fees in H1 2020 for several reasons, in particular negative fair value movements on retained positions of the North Westerly CLO transactions and decrease of exit-related fees with respect to 2019 as few investments matured over that period.

As government measures are gradually eased and economic activity is starting up again, we are working with our clients to ensure they can securely emerge from the crisis with the financial resources they need, preserving jobs, and contribute to the green recovery across Europe.

Performance Corporate client offering

- The corporate segment closed H1 with a net loss of EUR 33 million, mainly due to increased impairments on financial assets and to negative other income. Included in the corporate segment is Beequip. In H1 2020, our leasing venture has been able to report a modest positive net profit of EUR 2 million, even under these challenging circumstances.
- Net interest income is stable, despite the COVID-19 crisis. This stability stems from active portfolio management and continuous attention to our clients. The impact of lower origination volumes is currently limited in the net interest income in H1 2020.
- Compared to H1 2019, the corporate segment reports a significantly lower operating income due to a loss in other income and lower investment and net fee income in the context of COVID-19 (see Financial review).

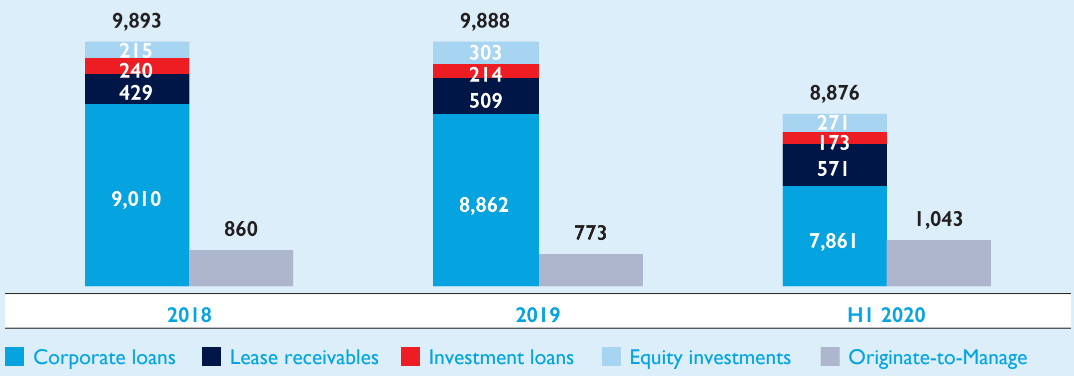
Income statement corporate client offering

in EUR millions	H1 2020	H1 2019
Net interest income	91	93
Net fee income	7	12
Investment income	4	16
Other income	(13)	7
Operating income	**89**	**128**
Other operating expenses	56	60
Regulatory charges and levies	-	-
Operating expenses	**56**	**60**
Net operating income	**33**	**68**
Impairments of financial and non financial assets	78	26
Profit before tax	**(45)**	**42**
Tax	(12)	7
Profit after tax	**(33)**	**35**

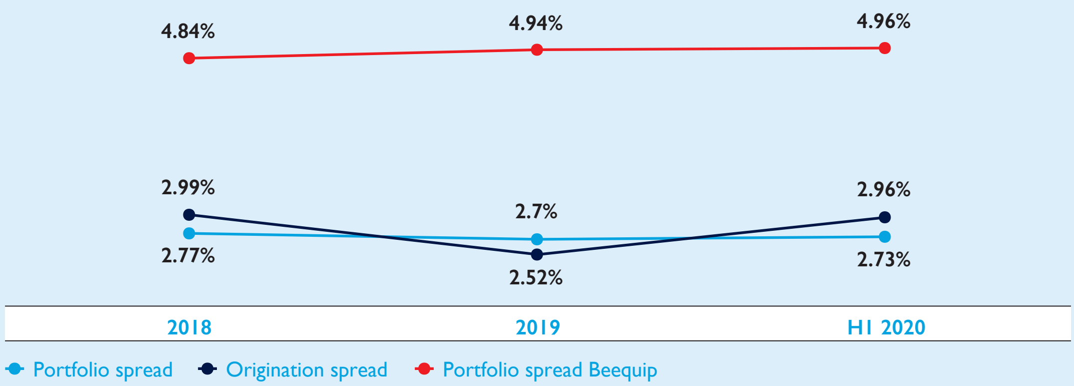
- Lower net fee and commission income is driven by lower lending-related and originate-to-manage fees, impacted by lower lending activity in the first half of 2020.
- Investment income is limited, due to negative revaluation results on several investments more than compensated by positive results on (partial) exits that were closed in H1 2020.
- The loss in other income is mainly related to the negative fair value movements on retained positions of the North Westerly CLO transactions.
- Decrease in the exposures in corporate loans is partly offset by growth in lease receivables. This reflects the strategy to favour more granular products while decreasing our exposure in cyclical portfolios, as well as the impact of lower origination volumes and higher repayments.

Corporate client assets

in EUR millions



Corporate loan protfolio spreads above base



RETAIL CLIENT OFFERING

NIBC offers mortgage loans, Buy-to-Let mortgage loans and saving products to its retail clients. We have built a strong retail franchise across the Netherlands, Germany and Belgium with close to 430,000 clients.

With transparent pricing and conditions, the products offered by NIBC help our clients executing or preparing for their decisive moments. Our owner-occupied mortgages, Buy-to-Let mortgages and Originate-to-Manage mortgages in the Netherlands are offered primarily via third-party mortgage brokers. Our savings offering is provided via a direct model, providing a simplified user experience.

Following NIBC's overall business model, NIBC focuses on products where we can stand out. This means that we do not provide general retail banking services such as payment solutions or current accounts. Instead we have developed and refined an efficient and modern retail business model which avoids the branch business model of traditional banks. Approximately 185 employees are working to contiunously shape and support the retail client offering within NIBC.

NIBC's retail client offerings were resilient during the first half of 2020, despite the COVID-19 pandemic and its impact within the communities that we serve. Offerings and services to clients by NIBC were provided without interruption by the pandemic. For mortgage clients, we have used the instrument of payment deferrals to support clients impacted by COVID-19 to address short-term liquidity issues.

NIBC retail client offering

		Owner-occupied		Buy-to-let
		NHG	Non-NHG	
Fixed terms	30 year	OTM	OTM	Not offered
	20 year	OTM	OTM / NIBC	Not offered
	10 year	NIBC	NIBC	NIBC
	5 year	NIBC	NIBC	NIBC
Floating		Not offered	Not offered	Not offered

Owner-occupied mortgages represent an important asset class for NIBC. Our strategy in this segment is to be able to provide fitting mortgage solutions for our clients. Together with our Originate-to-Manage (OTM) partner, we are able to offer mortgage loans across all tenors and with or without NHG in an efficient manner, supporting clients at this decisive moment. We differentiate ourselves through product features and pricing. This mortgage segment is distributed through independent registered mortgage advisors.

Since 2016, when NIBC closed its first OTM mandate for mortgage loans, NIBC has offered investors the opportunity to invest directly in Dutch residential mortgages without the burden of the associated operational handling. In this segment, NIBC originates mortgage loans under the NIBC Direct and Lot labels and sells mortgage receivables to the investor. This allows us to provide longer tenors to our clients. This fits market developments very well, as the current low rate environment is leading to an increased demand for longer fixed rate terms maturities. Market-wide, almost 70% of new mortgage loans are currently originated with 20-30 years fixed rate periods.

The Buy-to-Let segment is a growing market and represents an attractive risk/return for NIBC. New competitors have recently entered this niche, but NIBC has the advantage of the expertise and experience, having started this product offering already in 2015 by launching the NIBC Vastgoed Hypotheek. The product has been designed for financing leased residential real estate. We finance investors focused on building or expanding a portfolio including smaller and medium-sized properties. This mortgage product is distributed through intermediaries and appraisers as well as directly by NIBC. In the first half of 2020, the Buy-to-Let portfolio has further increased, at an increasing origination spread.

Introduction of Lot Hypotheken

Launched in February 2020, Lot Hypotheken offers competitive interest rates and aims to outperform on processes and consumer experience, while focusing on sustainability. Lot Hypotheken originates NHG (Dutch National Mortgage Guarantee) mortgages and offered at launch a 10-year interest rate of 0.99% – making it the first mortgage lender in the Netherlands to set a 10-year interest rate below 1%. Focused on sustainability, Lot offers a sustainability mortgage loan with an interest rate of 0.5% to stimulate retail clients to take sustainability measures.

The venture, for which NIBC is partnering with two new strategic Dutch investors, broadens the bank's range of mortgage products for retail customers and also expands its Originate-to-Manage (OTM) platform. As part of the originated Lot mortgages will be kept on NIBC's own balance sheet, it also increases the origination volume for own book.

Even in this challenging environment, the launch has been successful, with a positive net promotor score of intermediaries and a citation as best newcomer in the selection of best mid offices.

Origination continued to be high due to new home purchases as well as refinancings. Refinancing has been very dynamic due to the low mortgage rates. Conversely prepayments are also high. This led to a relatively stable level of total retail client assets compared to year-end 2019. Growth of the OTM portfolio has continued, leading to an increase of approximately 30% in the first half of 2020.

Preparation for our new consumer lending initiative Lendex has continued, to ensure operational readiness for the launch for this new offering. Given the broad impact of COVID-19, also on the envisaged points-of-sale of the product, the launch has been delayed until all parties are ready to make this next step.

Within the NIBC Direct savings offering, we have focused on improving the user experience on our online platform by introducing a new portal with i.a. an improved onboarding process for new clients. The launch of the new portal was combined with the introduction of a new app to further enhance the customer experience.

The total portfolio of both own book and OTM reached the mark of EUR 15 billion.

Performance Retail client offering

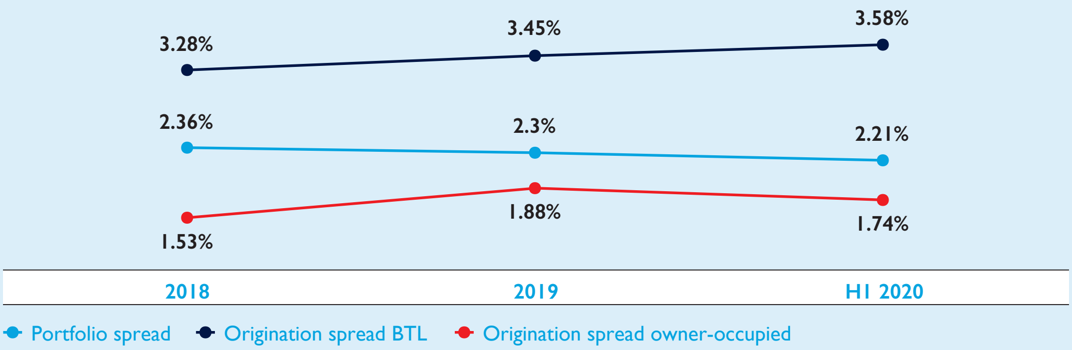
- Profit after tax is in line with H1 2019 despite the increase of impairments on financial assets in relation to potential future developments due to COVID-19. The increased impairments are more than offset by increases in operating income.
- Net interest income increased, mainly driven by the effects of higher prepayments as clients are refinancing at lower rates. Overall, the portfolio has remained relatively stable, providing a solid base for net interest income. The growth of the buy-to-let portfolio also supports the positive development of net interest income, as it is originated at higher spreads.
- Originate-to-Manage further increased, which translates into a continued increase of net fee income. The introduction of Lot Hypotheken in February has already contributed to this development.
- Operational expenses increased, mainly due to higher OTM origination and portfolio size.

Profitability

in EUR millions	H1 2020	H1 2019
Net interest income	76	66
Net fee income	12	7
Investment income	-	-
Other income	1	-
Operating income	**89**	**72**
Other operating expenses	32	28
Regulatory charges and levies	5	5
Operating expenses	**37**	**32**
Net operating income	**52**	**40**
Impairments of financial and non financial assets	6	(4)
Profit before tax	**46**	**45**
Tax	11	11
Profit after tax	**35**	**33**

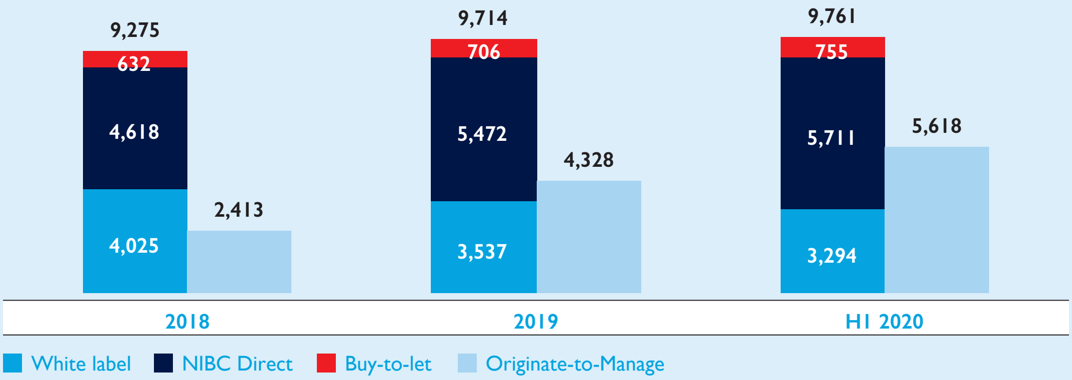
> "Positive development of operating income more than sufficient to cover increased costs and credit losses"

Retail spread above base



Mortgage portfolio development

In EUR millions



TREASURY & GROUP FUNCTIONS

Treasury & Group functions performs the treasury and asset & liability management (ALM) functions of the bank. As such, it provides the funding to the commercial activities undertaken in the two other segments. Additionally, it supports the other segments with centrally organised services and functions. Treasury & Group functions consists of Corporate and Commercial Treasury, ALM, Risk Management and our Corporate Center which includes HR & Corporate Communication, Internal Audit, Legal, Compliance, Operations & Facilities, Technology, Finance, Tax and Strategy & Development. The income statement of the Treasury & Group function segment is the reflection of these various activities, after allocation of the relevant costs to the other segments.

Following COVID-19, NIBC has increased its liquidity management effort, to ensure sufficient liquidity buffers are available to absorb increased demands from clients in terms of draw downs and payment deferrals, and to maintain solid liquidity ratios at all times. Together with the business departments, the frequency with which re- and prepayments and additional draw downs are monitored have been increased, to be able to quickly identify and respond to any developments.

Given the uncertainty across financial markets and the economy as a whole, NIBC has chosen to maintain elevated liquidity buffers ensuring that any adverse developments can be addressed without disruption of the normal course of business. Within its liquidity management, NIBC also makes use of the Targeted longer-term refinancing operations (TLTRO) of the ECB. Per 30 June, 2020, NIBC had drawn an amount of EUR 948 million under TLTRO-II and EUR 250 million under TLTRO-III. Liquidity buffers were further strengthened by the increase in repayments in the corporate loan portfolio, resulting in strong liquidity ratios as at 30 June 2020.

Other key activities within Treasury & Group functions in the first half of 2020 relate to ongoing investments in the operational efficiency and regulatory compliance. Maintaining the licence to operate, with the continuous development of regulatory standards continues to require investments. The bank is running several large programmes aimed at strengthening the models of the bank on the back of the continuously developing regulatory requirements for financial institutions but also at improving data management.

Non-recurring expenses are incurred for the activities related to the Blackstone offer for all outstanding shares of NIBC as well as for the execution of the announced merger of NIBC Bank Deutschland AG into NIBC Bank N.V..

Performance Treasury & Group functions

in EUR millions	H1 2020	H1 2019
Net interest income	41	50
Net fee income	-	-
Investment income	1	-
Other income	(5)	1
Operating income	**37**	**51**
Other operating expenses	19	19
Regulatory charges and levies	5	5
Operating expenses	**24**	**24**
Net operating income	**13**	**27**
Impairments of financial and non financial assets	-	-
Profit before tax	**13**	**27**
Tax	6	7
Profit after tax	**7**	**21**

The basis for net interest income of Treasury lies in the difference between the cost of funds on the bank's external funding (including hedging) and the internal cost of funds charged to the other segments that need these funds for client transactions. The internal cost of funds includes charges to cover operational costs as well as costs related to liquidity management and repricing risks, and are therefore higher than the external cost of funds. Additionally, the positive result of the mismatch in term structure of assets and liabilities is reported as part of Treasury & Group functions as well.

With the decision to maintain elevated risk buffers during H1 2020, net interest income was negatively impacted, as cash comes at a signifficant cost in this low interest rate environment. This has a downward effect of approximately EUR 2 million compared to H1 2019.

In addition to the income from liquidity management and hedging, the continued effect of the adoption of IFRS 9 in combination with the revision of NIBC's hedging framework has led to approximately EUR 17 million additional net interest income (H1 2019: EUR 18 million).

The negative result on other income is mainly driven by the negative fair value developments on investment property, being the part of the office building in the Hague that is rented out to third parties.

Operating expenses include programme costs through which NIBC continues to invest in its licence to operate. The H1 2020 results include approximately EUR 5 million in additional costs above the regular project portfolio expenses, while in H1 2019 we encurred costs for the transition towards Cegeka.

Non-recurring costs are incurred in relation to the Blackstone offer. These costs amount to EUR 4 million in H1 2020. Additional costs will be incurred in the second half of the year to finalise the intended transaction.

In February 2020 NIBC disclosed that it intends to legally merge NIBC Bank Deutschland AG and NIBC Bank N.V. (as discussed in Key developments). The legal merger will take place in the second half year of 2020. In order to excecute this merger, non-recurring costs of approximately EUR 2 million have been incurred in H1 2020.

The annual resolution levy amounts to EUR 5.2 million (H1 2019: EUR 4.6 million).

The effective tax rate within Treasury & Group functions is elevated due to the revaluation of the deferred tax asset. Due to the impact of COVID-19, 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 from 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.

FINANCIAL REVIEW

- Profit after tax is significantly negatively impacted by the COVID-19 pandemic, reflected in negative fair value movements of EUR 15 million, on retained positions of the North Westerly CLO transactions, lower investment income and elevated impairments of EUR 84 million.
- Operating income is supported by stable net interest income and net fee and commission income compared to H1 2019, however, negatively impacted by lower investment income and negative other income.
- Operating expenses are in line with HI 2019, decreased expenses due to the discontinuation of our capital market activities partially offset by increased personnel in Beequip and Lendex and increased expenses for projects.
- With stable operating expenses and lower operating income, the cost/income ratio increased to 54% (52% excl. non-recurring expenses which amount to EUR 5 million non-recurring expenses - merger with NIBC Bank Deutschland AG and Blackstone offer).

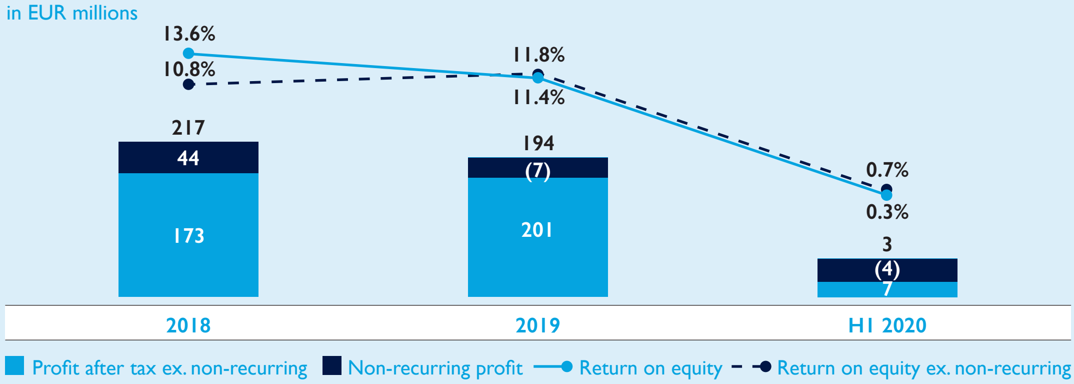
Income statement

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	208	208	209	0%	0%
Net fee and commission income	19	19	19	2%	2%
Investment income	5	5	16	-71%	-71%
Other income	(17)	(17)	7	-335%	-335%
Operating income	**215**	**215**	**251**	**-14%**	**-14%**
Personnel expenses	55	54	57	-4%	-6%
Other operating expenses	49	45	47	6%	-3%
Depreciation and amortisation	3	3	3	1%	1%
Regulatory charges and levies	10	10	9	9%	9%
Operating expenses	**117**	**112**	**116**	**1%**	**-3%**
Net operating income	**98**	**103**	**135**	**-28%**	**-24%**
Impairments of financial and non financial assets	84	84	21	291%	291%
Tax	5	7	25	-78%	-73%
Profit after tax	**9**	**13**	**89**	**-90%**	**-86%**
Profit attributable to non-controlling shareholders	6	6	6	0%	0%
Profit after tax attributable to shareholders of the company	**3**	**7**	**83**	**-97%**	**-92%**
Return on equity	**0.3%**	**0.7%**	**9.7%**	**-97%**	**-92%**

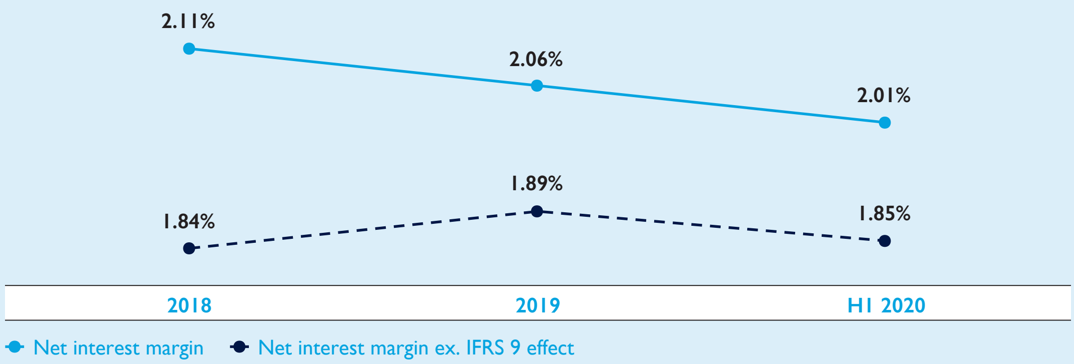
"Net profit close to nil due to COVID-19 impact on credit losses, investment income, fair value developments, with tight cost control measures in place"

Profit after tax attributable to shareholders and return on equity

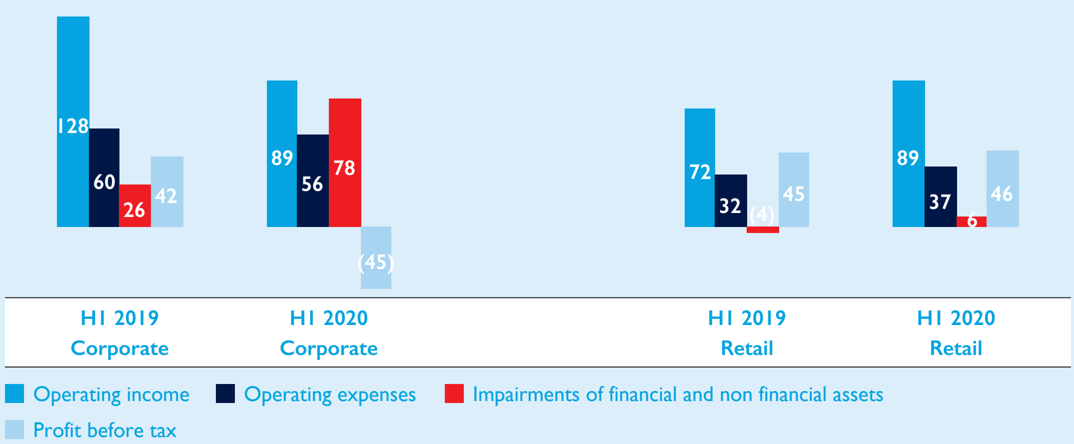
in EUR millions



Net interest margin



Financial performance Corporate and Retail Client offering



Financial performance

Operating income

Within operating income, key drivers for decrease are investment income and other income. Net interest income and fee income are at the same level as H1 2019.

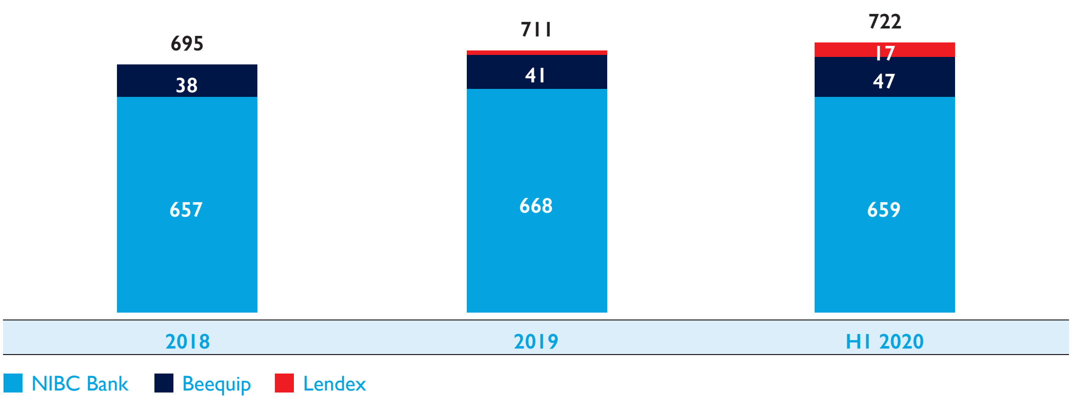
- The net interest margin reports a limited decrease, caused by an increase in interest-bearing assets. This mainly reflects the impact of the decision to maintain higher liquidity buffers.
- Total fee income is stable, however, the composition has changed, with an increase in OTM-related fee income, as Originate-to-Manage assets continue to grow, and lower fee income related to lending activities, as new origination has been subdued in H1 2019.
- Investment income has significantly decreased compared to H1 2019, mostly due to negative (unrealised) revaluation results of the investment portfolio, which have partially offset the positive results related to successful (partial) exits of two investments. These transactions have been closed in H1 2020, leading to an addition realised positive result of EUR 4 million in first half year 2020.
- The negative other income is mainly explained by the negative revaluation on the retained first loss positions of our North Westerly CLO programme, which are part of the debt investments at fair value through profit or loss. In reaction to COVID-19, the fair value of these instruments have decreased considerably, resulting in a revaluation loss of EUR 15 million.

Operating expenses

Operating expenses were more or less stable, however, this includes H1 non-recurring expenses related to the Blackstone offer and the merger of NIBC Bank Deutschland AG with NIBC Bank N.V.. Excluding these non-recurring items, reported operating expenses show a small reduction of approximately 3%.

Despite the discontinuation of our capital market activities, the number of FTEs increased due to internalisation of IT staff and growth of our subsidiaries Beequip and Lendex. For the latter, operational preparations have continued, even though it has been decided to delay the launch of the new offering in response to COVID-19.

FTE development



Other operating expenses include additional spend on the project portfolio, as discussed in the Treasury & Group function section. The programmes progressed in line with project plans in H1 2020, as they are considered to be a key element to be more agile and efficient in a context of changing regulation.

The cost/income ratio increased in H1 2020. As operating expenses are relatively stable, this is a direct reflection of the reduced operating income.

Impairments of financial and non-financial assets

Credit loss expenses are significantly higher mainly due to COVID-19. As the portfolio of the corporate assets is assessed on a name by name basis, the largest amount of credit losses relates to stage 3 assets in the corporate loan portfolio. Following the regular process, stage 1 and 2 assets in the corporate loan portfolio report a net positive movement, as various movements and effects have offset each other. The upward pressure from the deteriorated economic situation and the macro economic scenarios have been offset by downward movements related to portfolio dynamics. As the portfolio decreased and assets moved between the different stages, the associated ECL allowance has decreased as well.

In the lease receivables portfolio, credit losses increased in H1 2020. In line with a growing portfolio and a deteriorating economic environment, additional losses were recorded in all stages.

The mortgage portfolio has reported a limited movement of the ECL allowance, as continued positive developments in the Dutch house market, impacting expected losses positively, served to offset the negative impact of the adjusted macro economic scenarios, which led to a negative development of the probability of default.

In addition to the regular processes to estimate the required ECL allowance, NIBC has decided to perform an assessment of both the corporate loan portfolio and the mortgage loan portfolio to ensure that credit loss allowances sufficiently reflect the macroeconomic circumstances that NIBC faces and the uncertainties these bring for the expected credit loss estimation. Based on additional reviews, benchmarking ECL levels and movements to sector developments and growing insights into economic developments, it has been decided to apply an overall adjustment to the credit loss allowance. For the corporate loan portfolio, it has been decided to adjust the ECL allowance upward by a total of EUR 15 million. The largest part of the adjustment relates to stage 2 exposures. As a result, the coverage ratio on stage 2 corporate loans reports an increase, reflecting the expected negative impact of COVID-19 on future performance of these assets.

For the mortgage loan portfolio, it has been decided to increase the allowance for expected credit losses by 5 basis points of the exposure in stage 1 and stage 2, leading to an upward adjustment of the ECL allowance by EUR 5 million. The table below illustrates the development of the coverage ratios for stage 1 and stage 2 positions.

Coverage ratios stage 1 and stage 2 exposures

	H1 2020 Stage 1	Stage 2	2019 Stage 1	Stage 2
Loans				
Carrying value	5,435	677	6,135	680
ECL allowance	7	26	8.8	15.2
Coverage ratio	0.1%	3.8%	0.1%	2.2%
Lease receivables				
Carrying value	499	36	442	33
ECL allowance	2	1	1	0
Coverage ratio	0.4%	2.8%	0.2%	0.0%
Mortgage loans				
Carrying value	9,934	223	9,915	120
ECL allowance	6	1	1	0
Coverage ratio	0.1%	0.4%	0.0%	0.0%
Total				
Carrying value	15,868	936	16,492	832
ECL allowance	15	28	11	15
Coverage ratio	0.1%	2.9%	0.1%	1.8%

For additional details, please refer to note 12.

Tax

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 of EUR 4.5 million. Together with the effect of decreased, often tax exempt investment income, the effective tax rate has increased in H1 2020.

Dividend

The declared but not yet paid-out final dividend 2019 of EUR 0,53 per share will be unconditionally paid to all public shareholders, other than JCF and Reggeborgh, before settlement of the offer of Blackstone. Both JCF and Reggeborgh have a conditional right to the final dividend of EUR 0.53 per share.

In light of the recommendation of the ECB of 28 July 2020, NIBC will not pay an interim dividend in 2020.

Medium term objectives

As indicated in the AGM update in relation to COVID-19 (press release of 17 April 2020), NIBC foresees in the current circumstances that it will not achieve its previously formulated medium term objective of 10-12% for Return on Equity (ROE) over 2020. Additionally, as also reflected in the H1 2020 figures, the objective for the cost/income ratio will also not be achieved in 2020, even though the operating expenses are actively managed. At this point, NIBC's ambitions towards its medium term objectives remain unchanged once market conditions normalise and the overall economic activities will be back at the pre-COVID-19 levels. In light of the potential change in ownership, the medium term objectives may be reviewed once the offer has been finalised.

BALANCE SHEET DEVELOPMENT

- Total assets are relatively stable. However, composition has further developed in line with NIBC's strategy of building a more granular portfolio and decreasing cyclical exposures.
- New businesses focus on more granular and higher risk/return ratio, such as Beequip (lease receivables), Buy-to-let mortgage loans and the recently launched OIMIO product for CRE financing.
- Exposure to Energy, Shipping and Leveraged finance have been further decreased.
- The mortgage loan portfolio has increased, mainly from growth of the Buy-to-let portfolio.
- The decision to increase liquidity buffers has led to an increase in liquid positions, illustrated by the increase in cash and banks.
- Retail funding displays a steady growth over the years, further increasing in H1 2020.

Assets

in EUR millions	H1 2020	2019	2018
Cash and banks	3,092	2,671	2,631
Loans	6,481	7,154	7,201
Lease receivables	557	498	409
Mortgage loans	10,163	10,044	9,451
Debt investments	1,012	1,056	865
Equity investments	243	274	199
Derivatives	501	482	579
Other assets	184	196	215
Total assets	**22,233**	**22,375**	**21,550**

Liabilities and equity

in EUR millions	H1 2020	2019	2018
Retail funding	9,632	9,490	8,922
Funding from securitised mortgage loans	360	391	447
Covered bonds	3,000	3,004	2,510
ESF deposits	1,154	1,191	1,522
All other senior funding	5,476	5,599	5,562
Tier 1 and subordinated funding	229	284	278
Derivatives	165	226	210
All other liabilities	185	142	141
Total liabilities	**20,202**	**20,327**	**19,592**
Equity attributable to shareholders of the company	1,831	1,848	1,755
Capital securities (non-controlling interest)	200	200	200
Equity attributable to non-controlling interests	-	-	3
Total liabilities and shareholders' equity	**22,233**	**22,375**	**21,550**

"Continued focus on building a more granular portfolio while decreasing cyclical exposures supported by a strong liquidity and capital position"

ECL staging

30 June 2020		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost	Loans	5,435	677	152	79	6,343
	Lease receivables	499	36	22	-	557
	Mortgage loans	9,934	223	6	-	10,163
	Debt investments	-	-	-	-	-
Fair Value through OCI	Debt investments	913	3	-	-	916
Total		**16,781**	**939**	**180**	**79**	**17,979**

31 December 2019		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost	Loans	6,135	680	137	60	7,012
	Lease receivables	442	33	23	-	498
	Mortgage loans	9,915	119	10	-	10,044
	Debt investments	-	-	-	-	-
Fair Value through OCI	Debt investments	951	3	-	-	954
Total		**17,443**	**835**	**169**	**60**	**18,508**

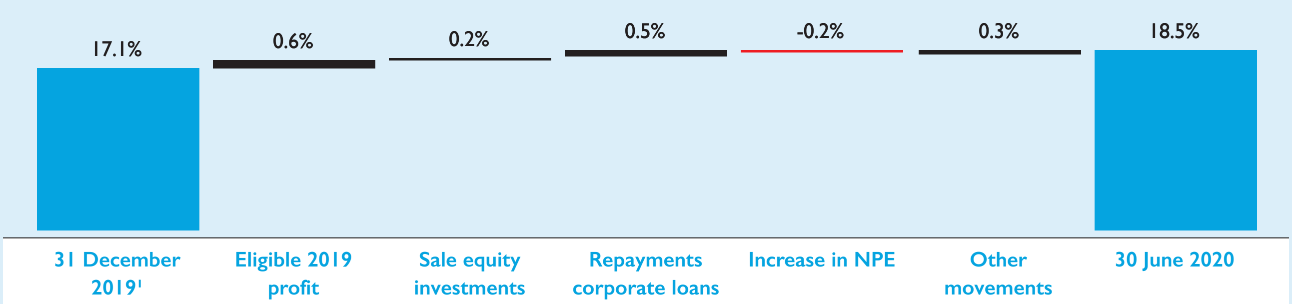
Credit quality ratios

	H1 2020	IFRS 9 2019	IFRS 9 2018	IAS 39 2017
Impaired coverage ratio	34%	33%	30%	40%
NPL ratio	3.0%	2.4%	2.8%	2.8%
Top-20 exposure / Common Equity Tier 1	75%	93%	77%	66%

SOLVENCY AND LIQUIDITY

- NIBC has a strong capital position reflected in a CET 1 ratio of 18.5% as at H1 2020. NIBC's management buffer has further grown as a result of the supervisory permission to temporarily operate below some requirements (CCB, P2G and LCR), in view of COVID-19.
- The increase of the CET 1 ratio is partly driven by the addition of retained 2019 profit to our capital and partly by developments within our Corporate loan portfolio.
- In H1 2020, RWA of the Corporate loan portfolio have decreased due to limited new loan origination as from the lockdown, high (p)repayment levels, and lower volume equity investments.
- 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.

CET 1 development



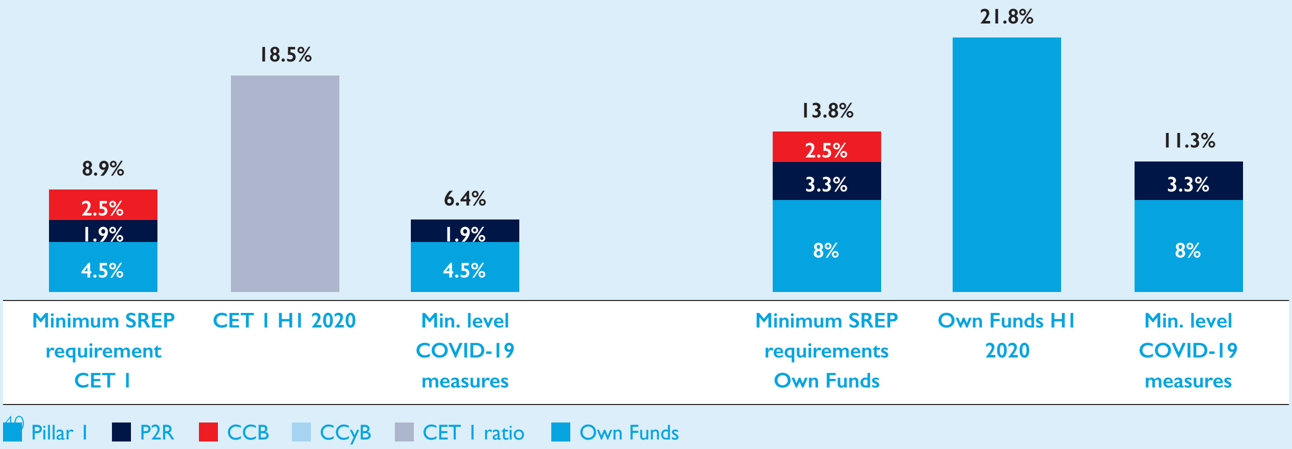
1 As from 2019, non-eligible profits attributable to the shareholders are no longer added to regulatory capital.

Credit risk per exposure class

Exposures including Credit Conversion Factor in accordance with CRR	H1 2020 Exposure	RWA	Average risk weight	2019 Exposure	RWA	Average risk weight
Corporate exposures	8,181	4,810	59%	9,005	4,959	55%
Mortgage loans	9,969	942	9%	9,900	976	10%
Institutions	911	191	21%	859	183	21%
Equity	271	1,003	370%	300	1,112	370%
Securitisation[1]	845	256	30%	878	171	19%
Other including corporate derivatives	489	275	56%	493	308	62%
Central Government	2,600	0	0%	2,121	0	0%
Total	**23,265**	**7,477**	**32%**	**23,556**	**7,707**	**33%**

1 As of 2020 the new Securitisation Framework has been implemented resulting in an increase in RWA.

Capital ratios compared to SREP level



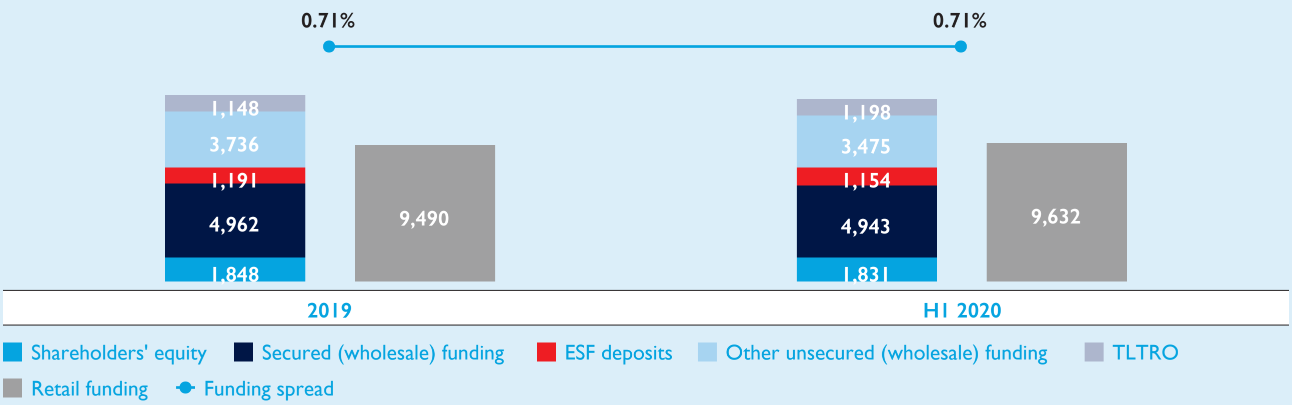
- Active liquidity management and selective use of the various funding instruments have resulted in a stable funding spread, even though financial markets have seen volatility in the spread levels for financial institutions.
- NIBC is eligible to draw under the TLTRO-III facilty, enabling it to not only replace maturing TLTRO-II transactions under the new facility but also draw additional funds if needed.
- NIBC's liquidity position is strong with a liquidity coverage ratio (LCR) at 270%. This is underpinned by elevated liquidity buffers and an NSFR of 124%.
- Fitch has decided on 1 April 2020 to put the BBB rating of NIBC on rating watch negative, as part of an industry review of ratings. 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).

Liquidity ratios

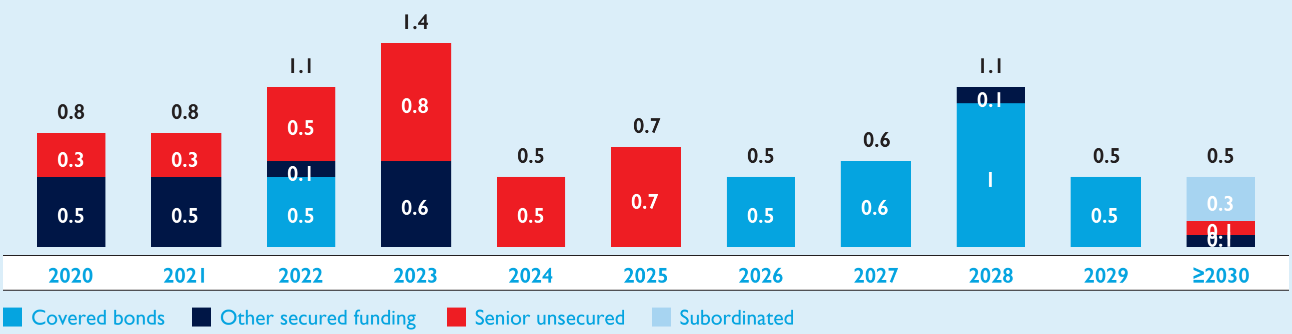
	H1 2020	2019	2018
LCR	270%	222%	241%
NSFR	124%	121%	123%
Loan-to-deposit ratio[1]	149%	156%	152%
Asset encumbrance ratio	28%	28%	26%

1 Items are Alternative Performance Measures (APM). The calculations of those items are explained in the APM section.

Funding composition and spread



Maturing funding



NIBC BANK

FINANCIAL REVIEW

- 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..
- Items related to NIBC Holding N.V. such as Beequip, Lendex and costs related to the

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%

Blackstone merger are not reflected in the NIBC Bank N.V. income statement.

- 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 (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.

RISK MANAGEMENT

NIBC's business of providing advice and debt, mezzanine and equity financing solutions for businesses and entrepreneurs, and straightforward, transparent products and services for enterprising retail customers, requires us to actively manage risks within well-defined boundaries. We generally pursue credit and investment risk while lowering our interest rate, currency, liquidity and operational risks to an acceptable level. This is all done while ensuring solid capital and liquidity positions. The risk appetite defines the scope and boundaries within which we operate while the risk management framework provides us with a structured approach for managing the various risks on a daily basis. Sound risk management is rooted in our culture as it is the responsibility of all our people to service our clients over the long term in the way that they expect us to. This helps create relationships based on trust, transparency and reliability.

Our business actively supports mid-sized corporates and new ventures at their most decisive moments. Also for our retail clients, we aim to support them at their decisive moments, e.g. when buying a house. It is vital that we have the room to be inventive in our approach in serving clients efficiently, however, it is just as important to control associated risks. We achieve this by evaluating all potential transactions within our risk appetite framework.

NIBC has the advantage of its medium scale, and the close proximity and collaboration there is between colleagues and its client base. This provides a setting in which a quick and efficient multidisciplinary approach can be taken in areas of risk management. We therefore have the capacity to keep moving forward as a business as we comply with evolving regulatory requirements.

Key developments in Risk Management

In the first half of 2020, NIBC continued its rebalancing strategy, presented at the Capital Markets Update 2018. This has led to further reduction of cyclical corporate exposures in Energy, Shipping and Leveraged Finance, and focus on origination of more granular exposures, such as lease receivables. Obviously, these developments have been impacted by the global COVID-19 pandemic, which has changed the social and economic circumstances considerably. This has also major impact on risk management activities, mainly noticable in the areas of credit risk, liquidity risk and operational risk.

In this changing environment, focus has been on managing the liquidity and capital position of the bank, as well as supporting our existing clients. Through active portfolio management and only selective origination of new loans, the available resources in terms of liquidity and capital are used to address the various challenges related to COVID-19.

Continued developments on regulatory topics

In addition to addressing the consequences of COVID-19, the remediation work continues on the outcome of the DNB Internal Model Investigation (**IMI**) with first deliverables being completed on schedule even in light of the current remote working situation. The IBOR transition programme is making steps to meet the anticipated deadlines. The organisation also continues to work on the new Definition of Default, NPE guidance and loan origination and monitoring standards, areas in which we are taking steps towards implementation.

Risk profile

NIBC's risk profile of the performing corporate loan portfolio remained relatively stable despite the challenging environment. The focus of the first half of 2020 has been the reduction of certain corporate portfolios as well as active portfolio management. Pressure in certain corporate sectors remains elevated and underpins our overall rebalancing strategy chosen in 2018. The watchlist of corporate exposure, i.e. performing loans with heightened credit risk and therefore intensified management, shows an increase to EUR 550 million compared to EUR 302 million in December 2019. There has been an increase in both the impaired and non-performing loan portfolios where attention to certain challenging segments remains elevated.

In line with the Dutch housing market and economic trends, the residential mortgage portfolio continues to display a sound credit quality. Pre-COVID-19, the portfolio was demonstrating historically low losses while an increase in the probability of default, albeit still at low levels, is expected. Per June 30, the allowance for expected credit losses was increased in light of the COVID-19 related uncertainty.

Overview of risk types

Within its risk management framework, NIBC distinguishes the following key risk categories: credit risk, investment risk, interest rate risk, market risk, liquidity risk and operational risk. Our risk management policy is aimed at seeking an acceptable level of credit and investment risk, while minimising the other risk types as outlined in the risk appetite framework.

The following table displays a breakdown of NIBC's exposures (both drawn and undrawn) and the type of risk associated with that exposure. In the remainder of this section we will elaborate on the various risk types and the way we manage these.

Overview of main risk types

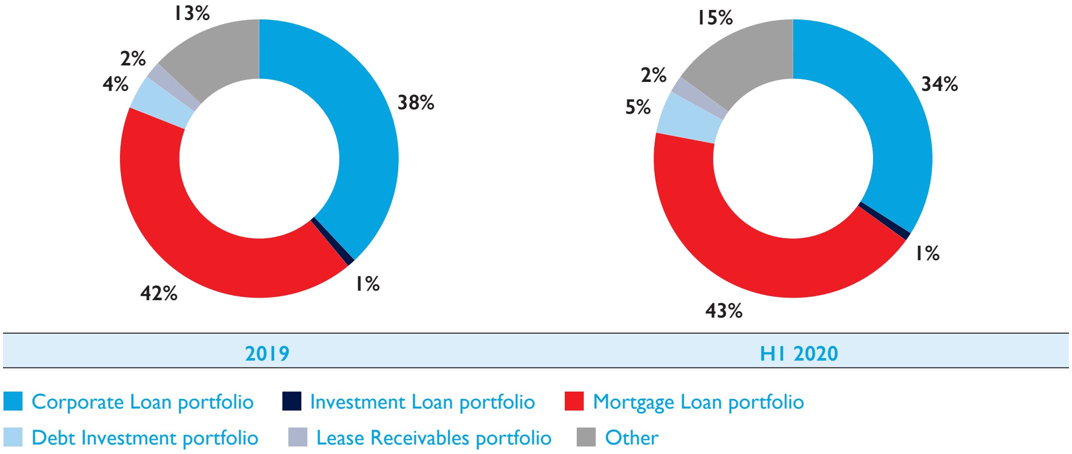
in EUR millions	Main risk types	H1 2020	2019
Corporate/investment loans		8,034	9,076
Corporate loans	Credit risk	7,861	8,862
Investment loans	Credit risk	173	214
Lease receivables	Credit risk	571	509
Mortgage loans	Credit risk	9,761	9,714
Equity investments	Investment risk	271	303
Debt investments		1,033	848
Debt from financial institutions and corporate entities	Credit risk / Market risk	361	334
Securitisations	Credit risk / Market risk	672	514
Cash management	Credit risk	2,991	2,485
Derivatives[1]	Credit risk / Market risk	517	482
Funding	Liquidity risk	22,233	22,375
Capital (Incl. Tier-2 as per Basel III)	Capital Adequacy risk	1,859	1,821

1 Exposure is based on a combination of netting and positive replacement values.

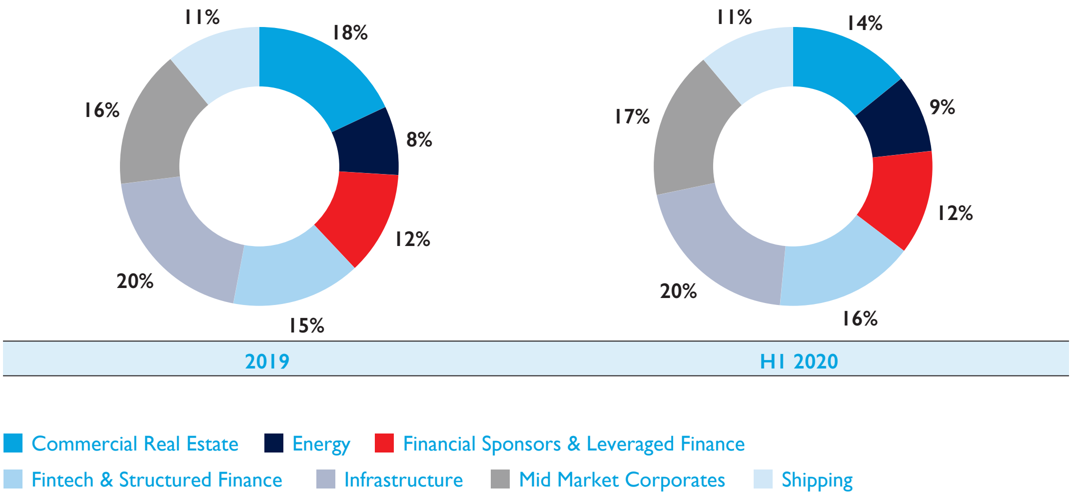
Credit risk

Credit risk, the risk that a counterparty is not able to repay its loan, is one of the risks inherent to our business model. We continuously monitor our clients' financial performance and take remedial action if we believe the probability of a default has increased. We mitigate credit risk by placing emphasis on the collateral pledged to us in the transactions we undertake which reduces the overall risk of losses in the event a client defaults. Credit risk at NIBC is present in corporate loans and investment loans, lease receivables, mortgage loans, debt investments, cash management and derivatives.

Credit risk exposure



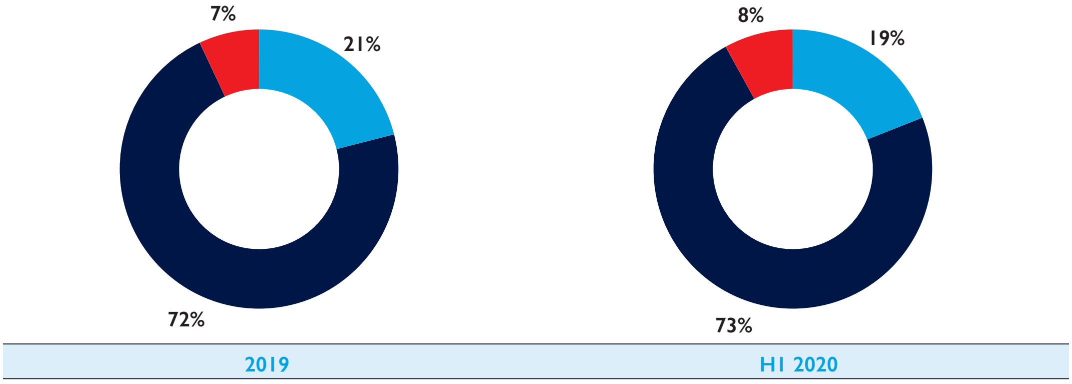
Corporate loan portfolio per sector



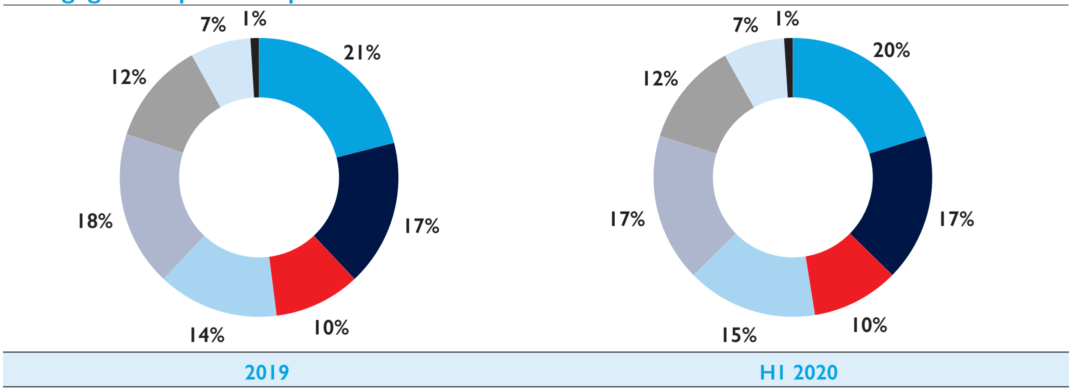
In the corporate client offering we mainly engage with clients rated a 5 or 6 on the internal credit risk scale, which corresponds to a BB and B in external rating agencies' scales. With an emphasis on the collateral pledged to us our *loss given default* (**LGD**) on corporate loans is concentrated in those LGD categories that correspond to recoveries in the range of 75% to 90%. Collateral can take several forms, such as receivables and leases, but also mortgages on real estate and vessels.

The Mortgage Loan portfolio can be divided into several sub-portfolios, with different product and risk characteristics. The graphs below provide information on the distribution of the Mortgage Loan portfolio over the different products and over the various loan-to-value ranges.

Mortgage loan portfolio per product type



Mortgage loan portfolio per loan-to-value bucket



In reaction to the COVID-19 crisis and the related exceptional (economic) circumstances, NIBC has significantly increased its portfolio management efforts. We have had a facilitative stance where liquidity support is a key theme. That means that we have extended 'COVID-19 measures' to help our clients address temporary liquidity issues. We have also seen obligors showing a deteriorated credit standing or other identifiers of longer-term, credit-related financial difficulties.

Overall we observe pressure in a number of segments which has led to an increase in our NPL exposure as well as the total exposure on the watchlist. We proactively address the current situation with our clients and given the overall portfolio size, we are able to have in-depth discussions with our clients giving the required attention. We have a faciliative stance where liquidity support is a key theme. The increase in watchlist is largely related to COVID-19 where we take a prudent approach to monitoring our clients on a case-by-case basis. In the corporate client offering we proactively review each client individually and discuss them with regular frequency in our risk committees.

Since the start of the COVID-19 crisis, NIBC has applied COVID-19 measures to 33 corporate exposures, with a total exposure value of EUR 505 million, both to address those short-term temporary liquidity issues and longer-term financial difficulties. These measures can consist of temporary payment deferals and/or specific covenant waivers, aimed at providing temprorary relief. When the measures have been taken in light of longer-term financial difficulties of a client, the exposure has been classified as forborne. In this case, the measure is also considered to indicate a significant increase in credit risk, leading to a stage trigger under the IFRS 9 staging. In total, that adds up to six assets for a total amount of EUR 93 million.

On the retail client side, our approach was different as the mortgage portfolio is based on a programme lending approach. This, combined with the need to act swiftly, does not support a case-by-case, in-depth analysis. Clients impacted by COVID-19 have been given the opportunity to make use of a temporary payment deferal. Given the lack of an individual, detailed assessment, all mortgage loan exposures that have received this COVID-19 measure are considered forborne and to experience a significant increase in credit risk. In total, that amounts to EUR 66 million and 220 clients.

Development of credit quality

Risk Management continually monitors credit quality, enabling NIBC to take prompt and proactive action, if needed. To identify potentially problematic exposures, we use the following measures:

- Forborne exposure: defined by the *European Banking Authority* (**EBA**). A facility is considered to be forborne if the client is facing financial difficulties and NIBC has granted a concession over and beyond market practice to the borrower;
- Non-performing exposure: is defined in line with the EBA definition. A client is considered non-performing if that client is in default, or if a performing forborne facility under probation is extended additional forbearance measures, or becomes more than 30 days past due;
- Defaulted exposure: as defined by the CRR/CRD IV definition. A counterparty is considered to be in default when (i) NIBC considers that the obligor is unlikely to pay its credit obligations in full, without recourse by NIBC to actions such as realising security (if held) or (ii) the obligor is past due more than 90 days on any material credit obligation to the Group;
- Impaired exposure: defined by the *International Financial Reporting Standards* (**IFRS**) accounting standard. Facilities are considered impaired if the *Transaction Committee* (**TC**) decides on an impairment amount for that facility.

Overview of credit quality measures

	H1 2020					2019				
in EUR millions	Corporate exposure	Lease exposure	Retail exposure	Total exposure	% of total portfolio	Corporate exposure	Lease Exposure	Retail exposure	Total exposure	% of total portfolio
Defaulted exposure	503	33	22	558	3.0%	423	33	10	466	2.4%
Impaired exposure	447	33	7	486	2.6%	378	33	10	421	2.2%
Non-performing exposure	503	33	22	558	3.0%	423	33	10	466	2.4%
Forborne exposure	580	35	90	704	3.8%	575	31	29	635	3.3%

Most credit quality measures report a deterioration which is expected in the current economic climate including the COVID-19 impact. During the period, emphasis has been on stabilty of the existing transactions and working with clients to ensure sufficient liquidity. Sound and proactive portfolio management and increased sector emphasis have aided in helping clients and maintaining credit quality.

The table below shows the development of non-performing exposure, impaired exposure and the impairment coverage ratio for the corporate sectors and the retail products.

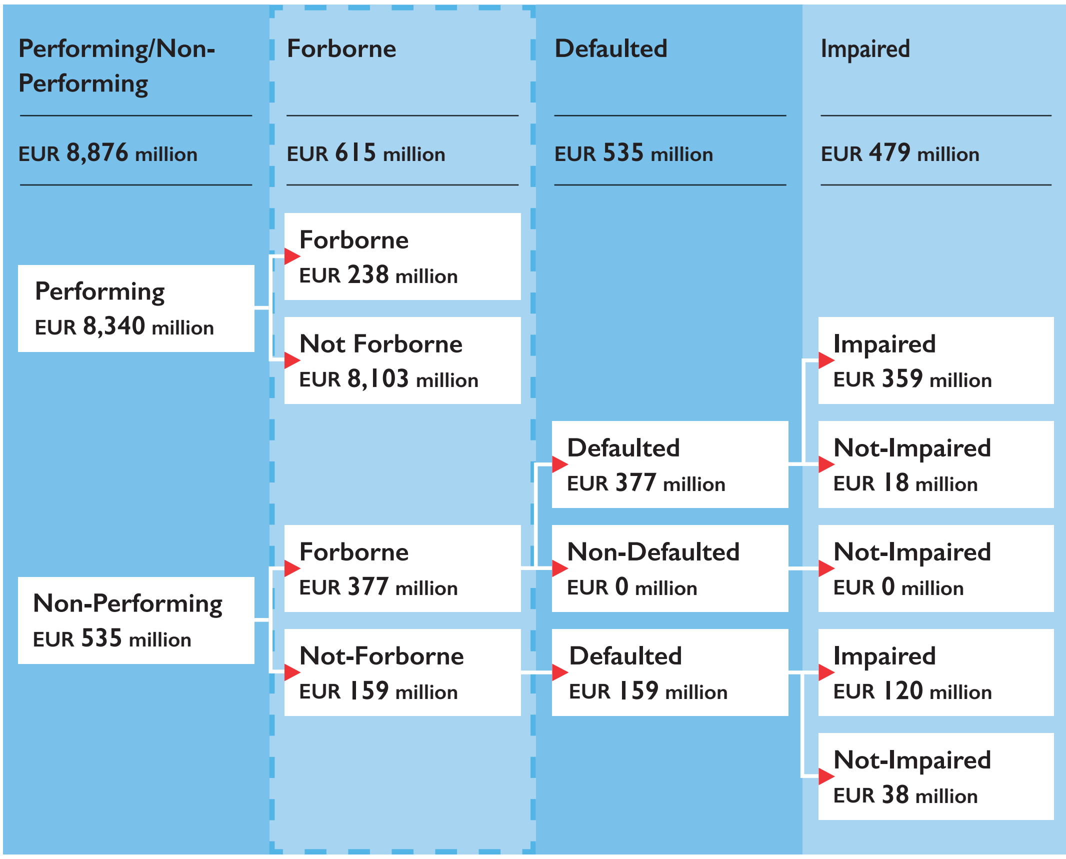
in EUR millions	H1 2020			2019		
	Non-performing exposure	Impaired exposure	Impairment coverage ratio[1]	Non-performing exposure	Impaired exposure	Impairment coverage ratio[1]
Corporate client exposures:						
Commercial Real Estate	63	63	30%	65	65	28%
Energy	182	171	31%	140	136	24%
Financial Sponsors & Leveraged Finance	69	69	55%	69	69	56%
Fintech & Structured Finance	35	35	60%	2	2	89%
Infrastructure	36	0	0%	40	5	12%
Mezzanine Equity Partners	27	26	46%	25	25	27%
Mid Market Corporates	15	7	1%	24	18	71%
Shipping	75	75	15%	58	58	28%
Total corporate client exposures	**503**	**447**	**34.70%**	**423**	**378**	**34%**
Lease exposures						
Leases	33	33	33%	33	33	31%
Total Lease exposures	**33**	**33**	**33%**	**33**	**33**	**31%**
Retail client exposures						
Mortgage loans	19	7	21%	10	10	16%
Buy-to-let mortgages	3	0	-			
Total retail client exposures	**22**	**7**	**21%**	**10**	**10**	**16%**
Total exposures	**558**	**486**	**34%**	**466**	**421**	**33%**

1 Impairment coverage ratio includes IFRS 9 Stage 3 assets only.

Total corporate client exposures report an increase in both non-performing exposure and impaired exposure. The Energy and Fintech & Structured Finance portfolios saw the largest increase in non-performing and impared exposures.

In 2020, the maximum LTV for new mortgages remained at 100% (106% for energy efficient measures). The maximum NHG guaranteed loan amount was increased to EUR 310,000 in 2020.

The following figure provides a comprehensive overview of the corporate client assets, including equity investments and lease receivables, and the various credit quality measures. Note that the 'Defaulted – Not Impaired' assets presented in the following figure may include exposures accounted for at FVtPL, in which case no impairment will be recorded. However, the carrying value of these exposures may be lower than the nominal exposure.



Investment risk

For NIBC, investment risk arises when taking equity positions in other companies and the risk is that the value of the investment deteriorates. Within our equity portfolio we distinguish between direct and indirect investments. Direct investments are equity exposures with which NIBC has directly invested in one of its clients, whereas indirect investments are exposures to investment funds. For new busines we aim for smaller direct investments in our clients, preferably through offering a combination of senior and mezzanine lending, combined with an equity participation.

Breakdown of equity investments by region

in EUR millions	H1 2020	2019
The Netherlands	160	164
Germany	51	46
United Kingdom	34	51
The rest of Europe	8	21
North America	19	21
Total	**271**	**303**

Breakdown of equity investment by type

in EUR millions	H1 2020	2019
Direct		
Strategic	37	54
Client	96	100
Other	21	36
Indirect		
Strategic	35	30
Fund	82	84
Total	**271**	**303**

Market risk

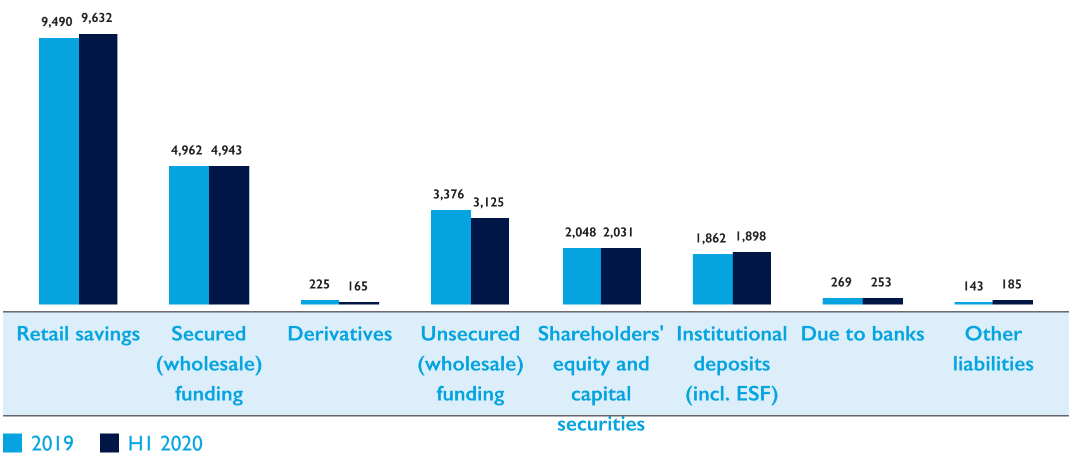
The predominant market risk drivers for NIBC are interest rate risk and credit spread risk. NIBC does not actively take currency positions. Currency positions that exceed small facilitating limits are hedged. NIBC's overall open foreign currency position was EUR 5.1 million at the end of June 2020. The overall market risk in NIBC's Trading book is limited, as is also exhibited by the amount of Basel III/Pillar I regulatory capital required for this activity, which only comprises 1.0% of the total regulatory capital. NIBC discontinued its capital markets activities (Equity and Fixed Income Obligations Sales and Trading) as of 15 January 2020.

Liquidity risk

The aim is to maintain a comfortable liquidity position to enable ourselves to fund new client assets, as well as to repay our debts when they become due. Managing the maturity of both assets and liabilities is key in successful liquidity risk management.

In reaction to COVID-19, NIBC has even further increased its attention for liquidity risk management, with an increased frequency of meetings of the Asset & Liability Committee (**ALCO**) and additional portfolio analyses focused on the liquidity forecasts. To address the uncertainty created by the pandemic, liquidity buffers have been increased, to ensure the bank has sufficient funds to continue to meet its requirements. These elevated liquidity buffers also provide the means to absorb any potential outflow of funds in reaction the merger of NIBC Bank Deutschland AG into NIBC Bank NV.

Breakdown of funding



Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed processes or systems, from human error, fraud, or external events including legal risk and compliance risk. Operational risk includes reputational risk; however, strategic risks are not included. NIBC strives for a 'no surprises' operating environment by effectively managing operational risk across all its business lines, banking activities and countries in a transparent and consistent way. *Operational Risk Management (**ORM**)* is embedded in day-to-day processes.

The central ORM function identifies, monitors, controls and reports on operational risk at group level, develops policies and processes and provides methodology and tools. The tools enable an assessment whether the operational risk profile fits within the non-financial risk appetite which forms part of NIBC's risk appetite framework. ORM in all its facets is a key part of a bank's overall risk management practice.The central ORM function also actively supports corporate social responsibility, business continuity management and information security.

In the developing COVID-19 crisis, focus has been on business continuity. To prepare for yet unclear territory, NIBC decided to test its business continuity measures, executing a general test of all facilities needed to work from home. This was executed on 13 March 2020, and led to immediate small adjustments in infrastructure, licenses and other operational elements. This preparation enabled NIBC to continue working from home after the weekend as the government announced its initial measures to COVID-19, without any material disruptions. As of 16 March 2020, NIBC operated with nearly all staff (>95%), across all offices, working from home. Only a minimal skeleton staff has been present at the office. Technology investments made in previous years have paid off with no critical interruptions observed to date.

Capital adequacy

Regulatory capital

The most important ratio to assess our capital position is the CET 1 ratio. Related to this measure are the Tier 1 and Total Capital ratios. These ratios are calculated based on CRR/CRD IV regulations.

The capital ratios at H1 2020 are well above the minimum capital requirements imposed by the CRR/CRD IV, which require a minimum Tier 1 ratio of 6% and a minimum Total Capital ratio of 8%, excluding capital buffers. Operational risk RWAs are determined by a 3-year moving average of operating income.

Active portfolio management has helped to reduce the total risk weighted assets. Exits in equity investments, reduction of specific sector exposures and the reduction of trading positions have led to lower RWAs, offsetting the upward pressure on RWAs from the increase in defaulted exposures. This development supports the increase in NIBC's capital ratios.

Fully loaded capital ratios

	H1 2020	2019
Capital ratios (in %)[1]		
Common Equity Tier 1 ratio	18.5%	17.1%
Tier 1 ratio	19.7%	18.5%
Total Capital ratio	21.8%	20.5%
Risk-weighted assets (in EUR millions)		
Credit risk	7,477	7,707
Market risk	67	97
Operational risk	961	1,008
Credit value adjustment	34	29
Total RWA	**8,538**	**8,841**

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

Basel IV

An agreement was reached on the finalisation of the Basel III reforms ("**Basel IV**") in December 2017. While certain elements still require more clarification, based on our current assessment and interpretation of the Basel IV Standards, we expect the impact to be in a range of 15%–25% of RWA by 2027, compared to the RWA as determined per H1 2020. This already includes impact includes the impact of the 30% RWA add-on following the Internal Model Investigation (**IMI**) in 2019. This analysis is based on the assumption that NIBC will successfully implement the required improvements in its model landscape. This does not take into account possible management actions, nor potential changes to Pillar 2 requirements. This also assumes the current portfolio composition in 2027 to be the same as the current portfolio to be the same in 2027, as well as RWAs based on the current economic environment.

An uncertainty for banks is that the Basel IV Standards will have to be incorporated into legislation within the European Union. The EU legislative process may take up to several years. During this process of transposition in EU and national law, adjustments may be implemented. We aim to meet the final requirements early in the phase-in period while we continue to execute our client-focused strategy.

Economic capital

In addition to regulatory capital, NIBC also calculates Economic Capital (**EC**). EC is the amount of capital that NIBC needs as a buffer against potential losses from business activities, based on its own assessment of risks. It differs from Basel's regulatory capital, as NIBC assesses the specific risk characteristics of its business activities in a different manner than the required regulatory method.

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 Holding 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 HOLDING 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	278	296
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	86
Interest expense from financial instruments measured at fair value through profit or loss	2	3	6
Net interest income		**208**	**209**
Fee income	3	19	19
Fee expense	3	-	-
Net fee income		**19**	**19**
Investment income	4	5	16
Net trading income / (loss)	5	(13)	4
Net gains or (losses) from assets and liabilities at fair value through profit or loss	6	(3)	2
Net gains or (losses) on derecognition of financial assets measured at amortised cost	7	(1)	(1)
Other operating income	8	-	2
Operating income		**215**	**251**
Personnel expenses	9	55	57
Other operating expenses	10	49	47
Depreciation and amortisation		3	3
Regulatory charges and levies	11	10	9
Operating expenses		**117**	**116**
Impairment of non-financial assets	12	1	-
Credit loss expense	12	83	21
Profit before tax		**14**	**114**
Tax	13	5	25
Profit after tax		**9**	**89**
Attributable to:			
Shareholders of the company		3	83
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.

Earnings per share

	note[1]	For the period ended 30 June 2020	For the period ended 30 June 2019
Weighted average number of ordinary shares (in EUR millions)	14	146	146
Basic earnings per share (in EUR)	14	0.02	0.57
Weighted average number of ordinary shares diluted (in EUR millions)	14	146	146
Diluted earnings per share (in EUR)	14	0.02	0.56

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR millions	note	For the period ended 30 June 2020 Before tax	For the period ended 30 June 2020 Tax charge/ (credit)	For the period ended 30 June 2020 After tax	For the period ended 30 June 2019 Before tax	For the period ended 30 June 2019 Tax charge/ (credit)	For the period ended 30 June 2019 After tax
Profit for the period		**14**	**5**	**9**	**114**	**25**	**89**
Other comprehensive income							
Items that will not be reclassified to profit or loss							
Revaluation of property and equipment	23	(1)	-	(1)	7	-	7
Movement in the fair value of own credit risk of financial liabilities designated at fair value through profit or loss	25/26/31	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	17	(4)	(1)	(3)	7	2	5
Total other comprehensive income		**56**	**(1)**	**57**	**8**	**1**	**7**
Total comprehensive income		**70**	**4**	**66**	**122**	**26**	**96**
Total comprehensive income attributable to:							
Shareholders of the company		64	4	60	116	26	90
Holders of capital securities (non-controlling interest)		6	-	6	6	-	6
Total comprehensive income		**70**	**4**	**66**	**122**	**26**	**96**

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		633	706
Financial assets at fair value through profit or loss (including trading)			
Debt investments	15	74	91
Equity investments (including investments in associates)		221	253
Loans	16	138	142
Derivative financial instruments		501	482
Financial assets at fair value through other comprehensive income			
Debt investments	17	916	954
Financial assets at amortised cost			
Debt investments		22	10
Loans	18	6,343	7,012
Lease receivables	19	557	498
Mortgage loans	20	9,786	9,637
Securitised mortgage loans	21	377	407
Other			
Investment property	22	21	23
Investments in associates and joint ventures (equity method)		22	21
Property and equipment (including right-of-use assets)	23	69	75
Intangible assets		5	6
Current tax assets	24	8	5
Deferred tax assets	24	63	67
Other assets		18	21
Total assets		**22,233**	**22,375**

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		11,530	11,352
Financial liabilities at fair value through profit or loss (including trading)			
Own debt securities in issue	25	-	39
Debt securities in issue structured	26	173	184
Derivative financial instruments		165	225
Current tax liabilities	24	3	3
Deferred tax liabilities	24	11	12
Provisions	27	9	15
Accruals, deferred income and other liabilities	28	163	113
Debt securities in issue at amortised cost			
Own debt securities in issue	29	6,108	6,305
Debt securities in issue related to securitised mortgages	30	360	392
Subordinated liabilities			
Fair value through profit or loss	31	113	167
Amortised cost	32	116	117
Total liabilities		**20,202**	**20,327**
Equity			
Share capital	33	3	3
Share premium	33	1,287	1,287
Revaluation reserves	33	177	120
Retained profit	33	364	438
Equity attributable to the shareholders		**1,831**	**1,848**
Capital securities (non-controlling interests)	34	200	200
Total equity		**2,031**	**2,048**
Total liabilities and equity		**22,233**	**22,375**

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

	Attributable to:							
in EUR millions	Share capital	Share premium	Revaluation reserves	Retained profit	Equity of the company	Capital securities	Other non-controlling interests	Total equity
Balance at 1 January 2020	**3**	**1,287**	**120**	**438**	**1,848**	**200**	**-**	**2,048**
Total comprehensive income for the period ended 30 June 2020	-	-	57	3	60	6	-	66
Other	-	-	-	1	1	-	-	1
Distributions:								
Paid coupon on capital securities	-	-	-	-	-	(6)	-	(6)
Dividend paid or declared during the period[1]	-	-	-	(78)	(78)	-	-	(78)
Balance at 30 June 2020	**3**	**1,287**	**177**	**364**	**1,831**	**200**	**-**	**2,031**

1 Pay-out of declared final dividend 2019 has been postponed, therefore deducted from retained profit and presented as dividend liability at 30 June 2020.

	Attributable to:							
in EUR millions	Share capital	Share premium	Revaluation reserves	Retained profit	Equity of the company	Capital securities	Other non-controlling interests	Total equity
Balance at 1 January 2019 after the adoption of IFRS 16	**3**	**1,286**	**122**	**343**	**1,754**	**200**	**3**	**1,957**
Total comprehensive income for the period ended 30 June 2019	-	-	7	83	90	6	-	96
Acquisition of additional interest in Beequip B.V.	-	-	-	(11)	(11)	-	(3)	(14)
Other	-	1	-	1	2	-	-	2
Distributions:								
Paid coupon on capital securities	-	-	-	-	-	(6)	-	(6)
Dividend paid during the period[1]	-	-	-	(53)	(53)	-	-	(53)
Balance at 30 June 2019	**3**	**1,287**	**129**	**363**	**1,782**	**200**	**-**	**1,982**

1 Final dividend 2018.

Available distributable amount

in EUR millions	As at 30 June 2020	As at 30 June 2019
Equity[1]	1,831	1,782
Share capital	(3)	(3)
Within retained earnings:		
Revaluation reserves	(28)	(37)
Legal reserve profit participation	(1)	(1)
Legal reserves	**(29)**	**(38)**
	1,799	**1,741**

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	9	89
Non-cash items recognised in operating income and expenses	94	21
Net change in assets and liabilities relating to operating activities	801	(452)
Cash flows from operating activities[1]	**904**	**(342)**
Cash flows from investing activities	(2)	6
Cash flows from financing activities	(402)	(6)
Net change in cash and cash equivalents	**500**	**(342)**
Cash and cash equivalents at 1 January	**2,321**	**2,316**
Net foreign exchange difference	47	-
Net changes in cash and cash equivalents	468	(370)
Cash and cash equivalents at 30 June	**2,836**	**1,946**
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)	517	398
	2,836	**1,946**

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: Beequip for equipment leasing solutions, 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	91	76	41	208
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	1	(5)	(3)
Net gain or (losses) on derecognition of financial assets measured at amortised cost	(1)	-	-	(1)
Other operating income	-	-	-	-
Operating income	**89**	**89**	**37**	**215**
Regulatory charges and levies	-	5	5	10
Other operating expenses[1]	56	32	19	107
Operating expenses	**56**	**37**	**24**	**117**
Net operating income	**33**	**52**	**13**	**98**
Impairment of non-financial assets	-	1	-	1
Credit loss expense	78	5	-	83
Profit before tax	**(35)**	**46**	**13**	**14**
Tax	(12)	11	6	5
Profit after tax	**(33)**	**35**	**7**	**9**
Attributable to:				
Shareholders of the company	(33)	35	1	3
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	For the period ended 30 June 2020 The Netherlands	Germany	United Kingdom	Belgium	Total
Operating income	179	29	2	5	215
Operating expenses	104	9	3	1	117
Impairment of non-financial assets	1	-	-	-	1
Credit loss expense	87	(4)	-	-	83
Profit before tax	**(13)**	**24**	**(1)**	**4**	**14**
Tax	(1)	6	-	-	5
Profit after tax	**(12)**	**18**	**(1)**	**4**	**9**
FTEs	623	67	26	6	722

Operating income per sector per country

in EUR millions	For the period ended 30 June 2020 The Netherlands	Germany	United Kingdom	Belgium	Total
Corporate Client Offering					
Commercial Real Estate	14	-	-	-	14
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	15	-	-	-	15
Retail Client Offering	69	15	-	5	89
Treasury	35	-	2	-	37
	179	**29**	**2**	**5**	**215**

Net fee income per sector per country

	For the period ended 30 June 2020				
in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
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**

in EUR millions	Corporate client offering	Retail client offering	Treasury & Group functions	Total (consolidated financial statements)
	For the period ended 30 June 2019			
Net interest income	93	66	50	209
Net fee income	12	7	-	19
Investment income	16	-	-	16
Net trading income / (loss)	3	-	1	4
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	2	-	1	2
Operating income	**128**	**72**	**52**	**251**
Regulatory charges and levies	-	5	5	9
Other operating expenses[1]	60	28	19	107
Operating expenses	**60**	**32**	**24**	**116**
Net operating income	**68**	**40**	**28**	**135**
Credit loss expense	26	(4)	-	21
Profit before tax	**42**	**45**	**27**	**114**
Tax	7	11	7	25
Profit after tax	**35**	**33**	**21**	**89**
Attributable to:				
Shareholders of the company	35	33	15	83
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 2019				
Operating income	202	43	2	4	251
Operating expenses	92	15	6	2	116
Credit loss expense	-	22	-	-	21
Profit before tax	**110**	**6**	**(4)**	**3**	**114**
Tax	24	1	-	-	25
Profit after tax	**86**	**5**	**(4)**	**2**	**89**
FTEs	514	122	51	7	694

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	13	-	-	-	13
Energy	6	-	-	-	6
Financial Sponsors & Leveraged Finance	14	6	-	-	20
Fintech & Structured Finance	6	5	-	-	11
Infrastructure	10	2	-	-	12
Mezzanine & Equity Partners	28	-	-	-	28
Mid Market Corporates	9	4	-	-	13
Shipping	13	-	-	-	13
Other Corporate Client Offering	12	-	-	-	13
Retail Client Offering	54	14	-	4	73
Treasury	39	11	1	-	51
	202	**43**	**2**	**4**	**251**

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	278	296
Interest income from financial instruments measured at fair value through profit or loss	5	5
	283	**301**
Interest expense and similar charges:		
Interest expense from financial instruments measured at amortised cost	72	86
Interest expense from financial instruments measured at fair value through profit or loss	3	6
	75	**92**
	208	**209**

Net interest income in H1 2020 is EUR 208 million compared to EUR 209 million in H1 2019. The development in NIBC's segments are as follows:

- Net interest income of the Corporate client segment decreased from EUR 93 million to EUR 91 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 41 million, a decrease of EUR 9 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)	2
Other assets and liabilities held for trading	2	2
Other net trading income	1	-
	(13)	**4**

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
Loans	1	-
Other:		
Foreign exchange	-	1
Non-financial instruments:		
Investment property		
Investment property - revaluation result	(3)	-
Investment property held for sale - revalutation result	-	1
	(3)	**2**

Fair value hedges of interest rate risk decreased 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).

Loans report a gain of EUR 1 million (H1 2019: nil), which includes EUR 2 million positive revaluations and EUR 1 million negative revaluations, related to several corporate loans recorded at fair value through profit or loss.

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	-	2
	-	**2**

9 Personnel expenses

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Personnel expenses	55	57
	55	**57**

The number of Full Time Equivalents (***FTE***) increased from 694 at 30 June 2019 to 722 at 30 June 2020.

The H1 2020 decline in personnel expenses is due to lower spend on temporary staff and the discontinuation of NIBC Markets.

The increase of FTE is mainly caused by internalisation of IT staff within NIBC Bank NV and growth of Beequip and Lendex, and is expected to be more than offset by the discontinuation of NIBC's capital market activities, which will become fully effective in the second half of 2020.

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	14	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	1	1
Short-term lease expenses	-	1
Low-value assets lease expenses	1	-
Fees of auditors	1	2
	49	**47**

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 and the costs for services directly rendered by external advisors to NIBC relating to incurred for the intended all cash public offer on all outstanding ordinary shares of NIBC Holding N.V. by Flora Acquisition B.V. 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	75	26
Lease receivables	3	-
Mortgages loans	5	(4)
Debtors	1	-
Total for on-balance sheet financial assets (in scope of ECL requirements)	**84**	**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)**
	83	**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. Following 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

Impairments of non-financial assets relates to an impairment for goodwill in H1 2020 of EUR 1 million (H1 2019: nil).

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 scenario	GDP (DE)[2]	-2.8%	0.2%	0.9%	23.9	30.0%	
	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 scenario	GDP (DE)[2]	-5.6%	-0.8%	0.2%	24.5	32.5%	24.8
	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 scenario	GDP (DE)[2]	-6.4%	-1.7%	-0.4%	25.8	37.5%	
	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 25 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 24.5 million and EUR 25.8 million, respectively.

13 Tax

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Current tax	6	28
Deferred tax	(1)	(3)
	5	**25**
Tax reconciliation:		
Profit before tax	**14**	**114**
Tax calculated at the nominal Dutch corporate tax rate of 25.0% (2019: 25.0%)	3	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	-
	5	**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 38.2% for the period ended 30 June 2020 (for the period ended 30 June 2019: 22.1%).

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 Earnings per share

Basic earnings per ordinary share (***EPS***) is calculated by dividing the profit for the period attributable to the equity holders of NIBC by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit attributable to equity holders of NIBC by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table shows the composition of basic and diluted earnings per ordinary share for the period ended 30 June 2020 and 30 June 2019:

	For the period ended 30 June 2020			For the period ended 30 June 2019		
	Profit for the period attributable to equity holders	Weighted average number of ordinary shares	Earnings per ordinary share[1]	Profit for the period attributable to equity holders	Weighted average number of ordinary shares	Earnings per ordinary share[1]
	in EUR millions	in millions	in EUR	in EUR millions	in millions	in EUR
Basic earnings per ordinary share	3	146	0.02	83	146	0.57
Diluted earnings per ordinary share	3	146	0.02	83	146	0.56

1 Earnings per share consist of profit for the period excluding coupons attributable to capital securities and results attributable to non-controlling interests divided by the average outstanding and paid-up ordinary shares.

There have been no significant transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of this condensed consolidated interim financial report which would require the restatement of EPS.

in eurocent	In 2020	In 2019
Declared dividends and dividend distributions made:		
Final dividend for 2019 and 2018	0.53	0.36
Interim dividend for 2019	-	0.25
	0.53	**0.61**

In view of the intended all cash public offer by Flora Acquisition B.V. on all outstanding ordinary shares NIBC committed to pay the final cash dividend 2019 of EUR 0.53 per share to public shareholders before settlement of the offer. J.C. Flowers & Co. and Reggeborgh Invest B.V. have the right to collect the final dividend 2019 of EUR 0.53 per share, at such time that in the opinion of NIBCs Managing Board and NIBCs Supervisory Board, payment is feasible and appropriate in light of the impact of COVID-19 on the business, or when NIBC or NIBC Bank pays another dividend or capital distribution to its shareholders, or repurchases any of the shares in its capital. Consequently, the declared but not yet paid-out financial dividend 2019 is not considered eligble profit, and it is therefore not included in the own funds calculation of the CET1 ratio.

15 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 into detail for 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.

16 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).

17 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 value	(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 value	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.

18 Loans (amortised cost)

in EUR millions	30-Jun-20	31-Dec-19
Loans	6,343	7,012
	6,343	**7,012**
Legal maturity analysis of loans:		
Three months or less	274	284
Longer than three months but not longer than one year	957	906
Longer than one year but not longer than five years	4,030	4,426
Longer than five years	1,082	1,396
	6,343	**7,012**

in EUR millions	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Movement schedule of carrying value loans:					
Balance at 1 January 2020	**6,135**	**680**	**137**	**60**	**7,012**
New financial assets originated or purchased	740	21	4	35	801
Financial assets that have been derecognised	(1,140)	(122)	(66)	(16)	(1,343)
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	**5,435**	**677**	**153**	**79**	**6,343**

in EUR millions	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
Movement schedule of carrying value loans:					
Balance at 1 January 2019	**5,986**	**794**	**249**	**33**	**7,062**
New financial assets originated or purchased	2,269	50	3	45	2,367
Financial assets that have been derecognised	(2,091)	(263)	(184)	(3)	(2,541)
Write-offs	-	-	59	-	59
Recoveries of amounts previously written off	-	-	2	-	2
Net remeasurement of loss allowance	3	(3)	(27)	(10)	(37)
Foreign exchange and other movements	95	9	1	(5)	100
Transfers:					
Transfer from stage 1 to stage 2	(555)	550	-	-	(5)
Transfer from stage 2 to stage 1	428	(423)	-	-	5
Transfer from stage 2 to stage 3	-	(73)	73	-	-
Transfer from stage 3 to stage 2	-	39	(39)	-	-
Balance at 31 December 2019	**6,135**	**680**	**137**	**60**	**7,012**

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
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)	-	(5)
Foreign exchange and other movements	-	-	5	5	10
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**

19 Lease receivables (amortised cost)

in EUR millions	30-Jun-20	31-Dec-19
Lease receivables	557	498
	557	**498**
Legal maturity analysis of gross investment in lease receivables:		
Three months or less	24	23
Longer than three months but no longer than one year	40	39
Longer than one year but no longer than five years	435	395
Longer than five years	113	96
	612	**553**
Unearned future finance income on finance leases	55	55
Net investment in finance leases	**557**	**498**
Legal maturity analysis of net investment in lease receivables:		
Three months or less	24	23
Longer than three months but no longer than one year	40	33
Longer than one year but no longer than five years	396	360
Longer than five years	97	82
	557	**498**

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	**442**	**33**	**23**	**-**	**498**
Reclassification from loans	-	-	-	-	-
New financial assets originated or purchased	125	3	1	-	129
Financial assets that have been derecognised	(60)	(6)	-	-	(66)
Write-offs	-	-	(1)	-	(1)
Recoveries of amounts previously written off	-	-	-	-	-
Net remeasurement of loss allowance	-	-	(1)	-	(1)
Changes in models/risk parameters	(1)	(1)	-	-	(2)
Transfers:					
Transfer from stage 1 to stage 2	(13)	13	-	-	-
Transfer from stage 2 to stage 1	6	(6)	-	-	-
Balance at 30 June 2020	**499**	**36**	**22**	**-**	**557**

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	**400**	**-**	**-**	**-**	**400**
New financial assets originated or purchased	268	10	1	-	279
Financial assets that have been derecognised	(176)	(4)	-	-	(180)
Write-offs	-	-	(1)	-	(1)
Transfers:					
Transfer from stage 1 to stage 2	(27)	27	-	-	-
Transfer from stage 1 to stage 3	(23)	-	23	-	-
Balance at 31 December 2019	**442**	**33**	**23**	**-**	**498**

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	**1**	**-**	**10**	**-**	**11**
Movements with impact on credit loss allowances of financial assets in the income statement					
Changes in model assumption and methodologies	-	-	1	-	1
Unwind of discount due to passage of time stage 1 and stage 2	1	1	-	-	2
Movements with impact on credit loss allowances of financial assets in the income statement	**1**	**1**	**1**	**-**	**3**
Balance at 30 June 2020	**2**	**1**	**11**	**-**	**14**

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	**1**	**-**	**-**	**-**	**1**
Movements with impact on credit loss allowances of financial assets in the income statement					
Transfers:					
Transfer from stage 1 to stage 3	-	-	10	-	10
Movements with impact on credit loss allowances of financial assets in the income statement	**-**	**-**	**10**	**-**	**10**
Balance at 31 December 2019	**1**	**-**	**10**	**-**	**11**

20 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 largest 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**

21 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**

22 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 23 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 amounts to EUR 0.3 million in the first half of 2020 (H1 2019 EUR 0.3 million).

23 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
Assets under operating leases	33	35
Right-of-use assets	6	7
	69	**75**

in EUR millions	2020	2019
Movement schedule of land and buildings:		
Balance at 1 January	**30**	**42**
Reclassification to investment property	-	(20)
Additions	-	2
Revaluation	(1)	8
Depreciation	(1)	(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**
Movement schedule of assets under operating leases		
Balance at 1 January	**35**	**21**
Additions	9	20
Depreciation	(11)	(5)
Disposals	-	(1)
Balance at 30 June / 31 December	**33**	**35**
Gross carrying amount	53	44
Accumulated depreciation	(20)	(9)
	33	**35**

in EUR millions	30-Jun-20	31-Dec-19
Right-of-use assets[1]		
Rented offices	6	7
	6	**7**

1 The right-of-use assets reflect the rental of NIBC's offices in London, Frankfurt, Brussels, Amsterdam and the rented office for subsidiaries Beequip and Lendex.

in EUR millions	2020	2019
Movement schedule of right-of-use asset: offices		
Balance at 1 January	**7**	**-**
Effect of adoption of IFRS 16 per 1 January 2019	-	5
Restated balance at 1 January 2019 after the adoption of IFRS 16	**7**	**5**
Additions	-	3
Depreciation	(1)	-
Impairments	-	(1)
Balance at 30 June / 31 December	**6**	**7**

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

24 Current and deferred tax

in EUR millions	30-Jun-20	31-Dec-19
Current tax assets	8	5
Current tax liabilities	3	3
	5	**2**
Deferred tax assets	63	67
Deferred tax liabilities	11	12
	52	**55**

25 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.

26 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 35.7 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.

27 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
Net remeasurement of loss allowance	(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**

28 Accruals, deferred income and other liabilities

in EUR millions	30-Jun-20	31-Dec-19
Payables	38	49
Lease liabilities[1]	7	8
Dividend liability	78	-
Other accruals (including earn-out commitments)	34	38
Pending settlements	-	9
Taxes and social securities	6	9
	163	**113**
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	5
Longer than five years	2	2
	7	**8**

1 Refer to note 23 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	**8**	**6**
Additions	-	3
Acquisition of business combination	-	(1)
Repayments	(1)	-
Balance at 30 June / 31 December	**7**	**8**

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.

Dividend liability

On 31 March 2020 in response to the recommendation of the European Central Bank (ECB) to credit institutions as a consequence of the extraordinary challenges presented by the COVID-19 pandemic, the Managing Board and Supervisory Board agreed to delay the payment of the final cash dividend 2019 of EUR 0.53 per ordinary share.

On 17 April 2020 at the Annual General Meeting of Shareholders (AGM) the Annual Accounts 2019 of NIBC Holding N.V. were adopted and a total cash dividend of EUR 0,78 per ordinary share was declared, resulting in a final dividend of EUR 0.53 per ordinary share to be paid out in the second half of 2020 or later and only if in the opinion of the Managing Board and Supervisory Board of NIBC at such time, payment is feasible and appropriate in light of the impact of COVID-19 on the business.

However, on 13 July 2020 in view of the intended all cash public offer by Flora Acquisition B.V. on all outstanding ordinary shares NIBC committed to pay the final cash dividend before settlement of the offer. NIBC's public shareholders will receive the final cash dividend of EUR 0,53 sometime after the offer is made and before payment of the Offer Price of EUR 7.00 per ordinary share, not subject to any conditions. NIBC's major shareholders J.C. Flowers & Co and Reggeborgh Invest B.V. have agreed to waive the right to collect the dividend payable on their shares, until such time in the opinion of the Managing Board and Supervisory Board of NIBC, payment is feasible and appropriate in light of the impact of COVID-19 on the business, or when NIBC or NIBC Bank pays another dividend or capital distribution to its shareholders, or repurchases any of the shares in its capital.

At 30 June 2020 a liability for the declared final dividend 2019 for a total amount of EUR 78 million,of which only the pay-out has been postponed, was recognized. The recognised dividend liability presented under Accruals, deferred income and other liabilities is classified as current, i.e. payable within the next twelve months.

Other accruals (including earn-out commitments)

The valuation of the earn out commitments contains estimation uncertainty as it relates to the future performance of the different businesses. Management has assessed the potential future cash flows of the different businesses, the likelihood of an earn-out payment being made and discounted using an appropriate discount rate. The reassessment of the earn-out commitments leads to a release of EUR 1 million in the first half of 2020.

29 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).

30 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)
Other (including exchange rate differences)	-	-
Balance at 30 June / 31 December	**360**	**392**

31 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
Matured / redeemed	-	-
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.

32 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).

33 Equity

The ordinary shares of NIBC Holding N.V. are listed on the Euronext stock exchange (as of 23 March 2018).

New NIB Limited (60.6%) and Reggeborgh Invest B.V. (14.7%) are the legal holders of a 10% or more interest in the ordinary shares of NIBC Holding N.V.

in EUR millions	30-Jun-20	31-Dec-19
Equity attributable to the equity holders:		
Share capital	3	3
Share premium	1,287	1,287
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
Shares held by STAK	(14)	(15)
Share payment reserve	14	15
Retained profit	364	438
	1,831	**1,848**

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	
Ordinary shares (with par value of EUR 0.02)	350,000	350,000	7	7
Preference shares (with par value of EUR 0.02)	350,000	350,000	7	7
Not issued share capital (ordinary and preference shares)	552,487	552,487	11	11
Issued share capital (ordinary shares)	**147,513**	**147,513**	**3**	**3**

Out of the total number of ordinary shares issued by NIBC 985,674 at 30 June 2020 (31 December 2019: 1,007,871) ordinary shares are held by Stichting Administratiekantoor NIBC Holding (STAK) in view of the share-based incentive scheme. The STAK is consolidated by NIBC. The total number of treasury shares held by NIBC is 1,025,834 at 30 June 2020 (31 December 2019: 1,025,834).

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 instruments

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 and declared to shareholders and transfers from share premium.

At 30 June 2020 a liability for the declared final dividend 2019 for a total amount of EUR 78 million was recognised. The on 17 April 2020 declared final dividend of EUR 78 million, of which only the pay-out has been postponed, was deducted from retained profit in H1 2020.

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.

34 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 after tax 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.

35 Fair value of financial instruments

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

35.1 Valuation principles
35.2 Valuation governance
35.3 Financial instruments by fair value hierarchy
35.4 Valuation techniques
35.5 Valuation adjustments and other inputs and considerations
35.6 Impact of valuation adjustments
35.7 Own credit adjustments on financial liabilities designated at fair value
35.8 Transfers between Level 1 and Level 2
35.9 Movements in level 3 financial instruments measured at fair value
35.10 Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions
35.11 Sensitivity of fair value measurements to changes in observable market data
35.12 Fair value of financial instruments not measured at fair value
35.13 Non-financial assets valued at fair value

35.1 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).

35.2 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.

35.3 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**

35.4 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.

35.5 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.

35.6 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
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**

35.7 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**

35.8 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.

35.9 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-Jun-20				31-Dec-19			
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-Jun-20		31-Dec-19	
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-Jun-20				31-Dec-19			
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**

35.10 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 35.11 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.

	For the period ended			
	30-Jun-20		31-Dec-19	
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.

35.11 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-Jun-20		31-Dec-19	
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.

35.12 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	-	6,343		6,343	6,376
Lease receivables	-	557	-	557	557
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	-	7,012	-	7,012	6,939
Lease receivables	-	498	-	498	498
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.

35.13 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.

36 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	1,352	1,657
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
	1,878	**2,092**

Refer to note 27 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.

NIBC is furthermore engaged in discussions with the Vereniging van Effectenbezitters (VEB) concerning NIBC Holding N.V.'s share price developments and associated trading volumes in relation to the announced firm proposal from Blackstone on 14 February, 2020.

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.

37 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 shareholders

in EUR millions	30-Jun-20	31-Dec-19
Transactions involving NIBC's shareholders:		
Assets	44	115
Liabilities	-	-
Off-balance sheet commitments	10	135

in EUR millions	For the period ended 30 June 2020	For the period ended 30 June 2019
Income received	8	3
Expenses paid	-	-

Transactions with other entities controlled by NIBC's shareholders

There were no transactions with other entities controlled by NIBC's shareholders in the first half of 2020.

Transactions related to associates

in EUR millions	30-Jun-20	31-Dec-19
Transactions related to associates:		
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	4
Expenses paid	-	-

NIBC did not earn fees on the loans to these associates in H1 2020 and H1 2019.

38 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.

Conditional agreement on public offer NIBC Holding N.V.

On 25 February 2020, NIBC Holding N.V. and The Blackstone Group International Partners LLP (together with its affiliates, as the context requires, 'Blackstone') announced that they have reached a conditional agreement on a recommended all-cash public offer for all issued and outstanding shares in the capital of NIBC Holding N.V., not held by J.C. Flowers & Co (JCF) and Reggeborgh Invest B.V. (Reggeborgh), by an entity owned by Blackstone (the 'Offeror').

39 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.

Further developments regarding the public offer NIBC Holding N.V.

On 13 July 2020, NIBC published the amended merger protocol related to the all-cash public offer by the Offeror for all NIBC shares. Under the terms of the amended merger protocol the Offeror intends to make a recommended all-cash public offer for all issued and outstanding shares in the capital of NIBC at the Offer Price of EUR 7.00 per share. Public shareholders, other than JCF and Reggeborgh will receive NIBC's final dividend of EUR 0.53 per share for the financial year 2019, which will be paid unconditionally before settlement of the offer, and will result in public shareholders receiving EUR 7.53 per share, in aggregate.

On 7 August 2020, the Offer memorandum was published consistent with the merger protocol as amended on 10 July 2020. The acceptance period starts on 10 August 2020 and expires on 19 October 2020, unless the Offeror extends the Acceptance Period, in which case the closing date shall be the date on which the extended Acceptance Period expires.

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 shareholders and supervisory board of NIBC Holding N.V.

Our conclusion

We have reviewed the condensed consolidated interim financial report included in the accompanying condensed interim report of NIBC Holding 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 Holding 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 Holding 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 Holding 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 38 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 Holding 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 Holding 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 Holding 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 Holding 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 attributable to the shareholders H1 2020	3		
Dividend pay-out ratio H1 2020 (%)	**0**		
Dividend pay-out 2019 (page 12 annual report NIBC Holding N.V.)		114	
Profit after tax attributable to the shareholders 2019 (page 12 annual report NIBC Holding N.V.)		194	
Dividend pay-out ratio 2019 (%)		***59***	
Dividend pay-out 2018 (page 37 annual report NIBC Holding N.V.)			126
Profit after tax attributable to the shareholders 2018 (page 26 annual report NIBC Holding N.V.)			217
Dividend pay-out ratio 2018 (%)			**58**

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	117		
Operating income H1 2020	215		
Cost/income ratio H1 2020 (%)	**54**		
Operating expenses 2019 (page 134 annual report NIBC Holding N.V.)		237	
Operating income 2019 (page 134 annual report NIBC Holding N.V.)		537	
Cost/income ratio 2019 (%)		**44**	
Operating expenses 2018 (page 122 annual report NIBC Holding N.V.)			239
Operating income 2018 (page 122 annual report NIBC Holding N.V.)			551
Cost/income ratio 2018 (%)			**43**

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	H1 2020	2019	2018
Annualised net profit attributable to parent shareholder	6		
Post proposed dividend total shareholders equity at the start of financial year (page 140 and 204 annual report NIBC Holding N.V. 2019)	1,770		
Return on equity H1 2020 (%)	**0.3**		
Net profit attributable to parent shareholder (page 134 annual report NIBC Holding N.V.)		194	
Post proposed dividend total shareholders equity at the start of financial year (page 126 and 192 annual report NIBC Holding N.V. 2018)		1,702	
Return on equity 2019 (%)		**11.4**	
Net profit attributable to parent shareholder (page 122 annual report NIBC Holding N.V.)			217
Post proposed dividend total shareholders equity at the start of financial year (page 135 annual report NIBC Holding N.V. 2018)			1,596
Return on equity 2018 (%)			**13.6**

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	H1 2020	2019	2018
Annualised net profit attributable to parent shareholder	6		
Total assets at the beginning of the financial year	22,375		
Return on assets H1 2020 (%)	**0.03**		
Net profit attributable to parent shareholder (page 136 annual report NIBC Holding N.V.)		194	
Total assets at the beginning of the financial year (page 136 annual report NIBC Holding N.V.)		21,550	
Return on assets 2019 (%)		**0.90**	
Net profit attributable to parent shareholder (page 122 annual report NIBC Holding N.V.)			217
Total assets at the beginning of the financial year (page 124 annual report NIBC Holding N.V.)			21,884
Return on assets 2018 (%)			**0.99**

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	165		
Annualised credit losses FVTPL loans	(1)		
Total credit losses	**164**		
Risk-weighted assets H1 2020	8,538		
Risk-weighted assets 2019	8,841		
Average risk-weighted assets H1 2020	**8,690**		
Cost of risk H1 2020 (%)	**1.89**		
Credit losses on AC loans (page 202 annual report NIBC Holding N.V.)		49	
Credit losses FVTPL loans		3	
Total credit losses		52	
Risk-weighted assets 2019 (page 14 annual report NIBC Holding N.V.)		8,841	
Risk-weighted assets 2018 (page 14 annual report NIBC Holding N.V.)		7,805	
Average risk-weighted assets 2019		**8,323**	
Cost of risk 2019 (%)		**0.63**	
Credit losses on AC loans (page 122 annual report NIBC Holding N.V.)			54
Credit losses FVTPL loans			5
Total impairments and credit losses on fair value residential mortgages 2018			60
Risk-weighted assets 2018 (page 14 annual report NIBC Holding N.V.)			7,805
Risk-weighted assets 2017 (page 14 annual report NIBC Holding N.V.)			8,584
Average risk-weighted assets 2018			**8,195**
Cost of risk 2018 (%)			**0.73**

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	165		
Average financial assets at amortised cost: loans	7,210		

Impairment ratio	H1 2020	2019	2018
Average financial assets at amortised cost: mortgage loans	10,104		
Average financial assets regarding loans and mortgage loans (total)	**17,314**		
Impairment ratio H1 2020 (%)	**0.95**		
Credit losses on amortised cost loans and mortgage loans (page 136 annual report NIBC Holding N.V.)		49	
Average financial assets at amortised cost: loans (page 138 annual report NIBC Holding N.V.)		7,486	
Average financial assets at amortised cost: mortgage loans (page 138 annual report NIBC Holding N.V.)		9,748	
Average financial assets regarding loans and mortgage loans (total)		**17,234**	
Impairment ratio 2019 (%)		**0.29**	
Credit losses on amortised cost loans and mortgage loans			54
Average financial assets at amortised cost: loans (page 124 annual report NIBC Holding N.V.)			7,468
Average financial assets at amortised cost: mortgage loans (page 124 annual report NIBC Holding N.V.)			16,723
Average financial assets regarding loans and mortgage loans (total)			**0**
Impairment ratio 2018 (%)			**0.33**

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	33		
Non-performing exposure mortgage loans H1 2020	22		
Non-performing exposure H1 2020	558		
Total corporate loans drawn and undrawn H1 2020	8,034		
Total lease exposure H1 2020	571		
Total retail client assets H1 2020	9,761		
Total exposure H1 2020	18,366		
NPL ratio H1 2020 (%)	**3.0**		
Non-performing exposure corporate loans 2019 (page 66 annual report NIBC Holding N.V.)		423	
Non-performing exposure lease exposure 2019 (page 66 annual report NIBC Holding N.V.)		33	
Non-performing exposure mortgage loans 2019 (page 66 annual report NIBC Holding N.V.)		10	
Non-performing exposure 2019		466	
Total corporate loans drawn and undrawn 2019 (page 13 annual report NIBC Holding N.V.)		9,076	
Total lease exposure (page 13 annual report NIBC Holding N.V.)		509	
Total retail client assets 2019 (page 13 annual report NIBC Holding N.V.)		9,795	
Total exposure2019		19,380	
NPL ratio 2019 (%)		**2.4**	
Non-performing exposure corporate loans 2018 (page 67 annual report NIBC Holding N.V.)			503
Non-performing exposure lease exposure 2018			10
Non-performing exposure mortgage loans 2018 (page 67 annual report NIBC Holding N.V.)			20
Non-performing exposure 2018			533
Total corporate loans drawn and undrawn 2018 (page 13 annual report NIBC Holding N.V.)			9,250
Total lease exposure 2018			429
Total retail client assets 2018 (page 13 annual report NIBC Holding N.V.)			9,275
Total exposure 2018			18,954
NPL ratio 2018 (%)			**2.8**

1 Figures changed compared to the published figures 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.

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

Impairment coverage ratio	H1 2020	2019	2018
Balance stage 3 credit losses on loans (loans, leases and mortgages)	167		
Total stage 3 credit impaired exposure H1 2020	486		
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 Holding N.V.)		421	
Impairment coverage ratio 2019 (%)		**33**	
Balance stage 3 credit losses on loans			139
Total stage 3 credit impaired exposure 2018 (page 67 annual report NIBC Holding N.V.)			456
Impairment coverage ratio 2018 (%)			**31**

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	6,900		
Financial assets at amortised cost: residential mortgages	9,786		
Financial assets at amortised cost: securitised residential mortgages	377		
Financial assets at available for sale: loans	0		
Financial assets at fair value through profit or loss: loans	138		
Financial assets regarding loans and residential mortgages (total)	**17,201**		
Deposits from customers	**11,530**		
Loan to deposit ratio H1 2020 (%)	**149**		
Financial assets at amortised cost: loans (page 138 annual report NIBC Holding N.V.)		7,510	
Financial assets at amortised cost: residential mortgages (page 138 annual report NIBC Holding N.V.)		9,637	
Financial assets at amortised cost: securitised residential mortgages (page 138 annual report NIBC Holding N.V.)		407	
Financial assets at available for sale: loans		0	
Financial assets at fair value through profit or loss: loans (page 138 annual report NIBC Holding N.V.)		142	
Financial assets regarding loans and residential mortgages (total)		**17,697**	
Deposits from customers		**11,352**	
Loan to deposit ratio 2019 (%)		**156**	
Financial assets at amortised cost: loans (page 124 annual report NIBC Holding N.V.)			7,462
Financial assets at amortised cost: residential mortgages (page 124 annual report NIBC Holding N.V.)			8,990
Financial assets at amortised cost: securitised residential mortgages (page 124 annual report NIBC Holding N.V.)			461
Financial assets at available for sale: loans (page 124 annual report NIBC Holding N.V.)			0
Financial assets at fair value through profit or loss: loans (page 124 annual report NIBC Holding N.V.)			148
Financial assets regarding loans and residential mortgages (total)			**17,061**
Deposits from customers			**11,233**
Loan to deposit ratio 2018 (%)			**152**

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 net interest income last 12 months 2020	425		
12 Month average interest bearing assets	21,128		
Net interest margin H1 2020 (%)	**2.01**		
Sum net interest income last 12 months 2019 (page 136 annual report NIBC Holding N.V.)		426	
12 Month average interest bearing assets		20,690	
Net interest margin 2019 (%)		**2.06**	
Sum net interest income last 12 months 2018 (page 122 annual report NIBC Holding N.V.)			427
12 Month average interest bearing assets			20,258
Net interest margin 2018 (%)			**2.11**

DISCLAIMER

Presentation of information

The Annual Accounts of NIBC Holding 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.