ANNUAL REPORT 2021
NIBC BANK N.V.

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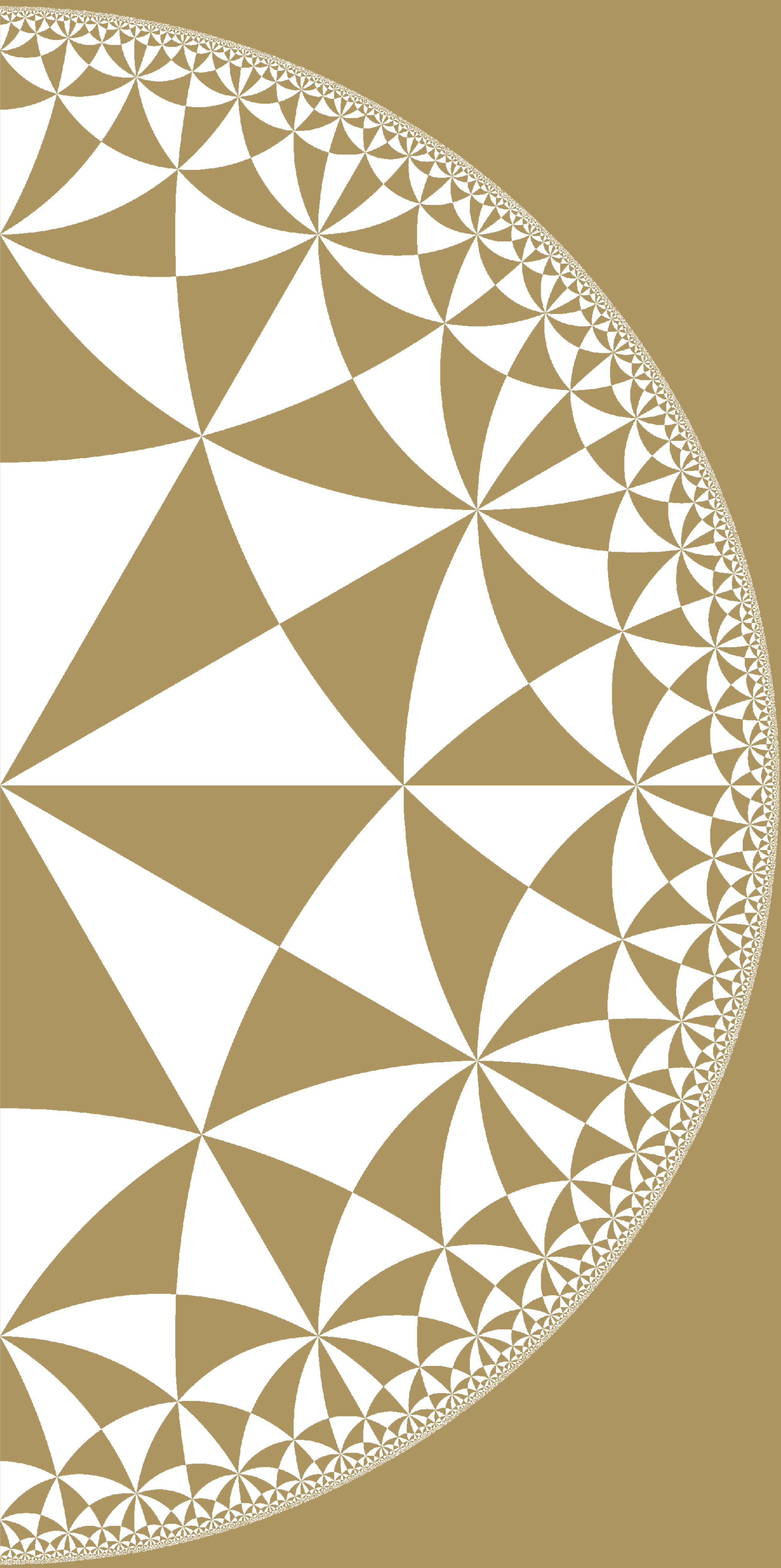

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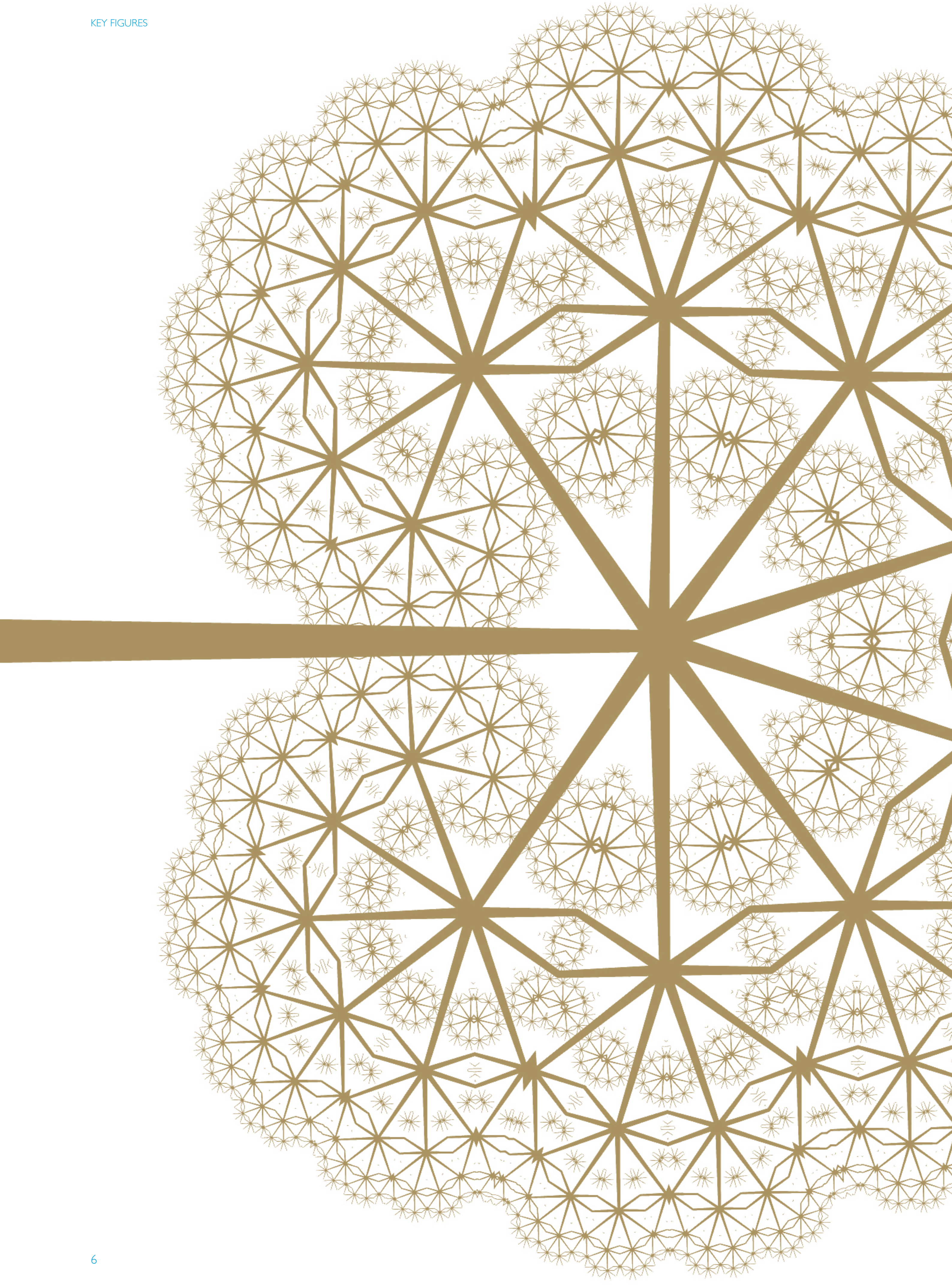


KEY FIGURES

KEY FIGURES

Earnings

	2021	ex. non-recurring 2021	2020	ex. non-recurring 2020	2019	ex. non-recurring 2019
Operating income	497	489	407	407	524	524
Operating expenses	235	216	210	206	229	220
Profit after tax	190	199	61	64	202	209
Profit after tax attributable to shareholders	178	187	49	52	190	197
Dividend pay-out ratio[1]	100%	-	100%	-	100%	-
Cost/income ratio[1]	47%	44%	52%	51%	44%	42%
Net interest margin	1.72%	1.72%	1.81%	1.81%	1.99%	1.99%
Return on equity	10.6%	11.1%	2.8%	3.0%	10.2%	10.6%
Return on equity at 14% CET1	17.9%	18.8%	4.4%	4.7%	18.1%	18.8%
Return on assets	0.85%	0.89%	0.22%	0.23%	0.87%	0.91%

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

Portfolio Asset Quality

	2021	2020	2019
Asset quality			
Cost of risk (on average RWA)[1]	0.47%	1.77%	0.64%
Impairment ratio[1]	0.20%	0.78%	0.28%
Impairment coverage ratio[1]	28%	37%	33%
NPL ratio[1]	2.6%	2.1%	2.5%
Top-20 exposure / Common Equity Tier 1	63%	63%	88%
Exposure corporate arrears > 90 days[2]	1.8%	2.3%	1.2%
Exposure residential mortgage loans arrears > 90 days	0.1%	0.2%	0.1%
Loan-to-value Dutch residential mortgage loans	56%	64%	68%
Loan-to-value BTL mortgage loans	53%	53%	52%

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

Portfolio

	2021	2020	2019
Retail client assets			
Owner-occupied mortgage loans – Netherlands	10,556	8,986	8,989
Buy-to-let mortgage loans	1,100	861	706
Owner-occupied mortgage loans – Germany	9	13	19
Total retail client assets	**11,665**	**9,860**	**9,714**
Corporate client assets (drawn & undrawn)			
Commercial Real Estate	1,379	1,030	1,578
OIMIO	144	67	-
Digital Infrastructure	1,190	821	874
Shipping	914	856	1,011
Total core corporate client assets and lease receivables	**3,628**	**2,773**	**3,463**
Other loans	-	-	-
Non-core loan portfolio	3,404	4,296	5,400
Investment loans	157	166	214
Other lease receivables	31	31	35
Total corporate/investments loans and lease receivables	**7,219**	**7,265**	**9,111**
Equity investments	259	252	303
Total corporate client assets (drawn & undrawn)	**7,478**	**7,517**	**9,413**
Corporate client assets (drawn & undrawn) per region			
Netherlands	3,526	3,377	4,499
Germany	1,360	1,448	1,534
United Kingdom	1,315	1,334	1,532
Other	1,277	1,358	1,847
Total corporate client assets (drawn & undrawn)	**7,478**	**7,517**	**9,413**
Originate-to-Manage assets			
Corporate client assets	1,547	1,062	773
Retail client assets	10,456	7,523	4,328
Total Originate-to-Manage assets	**12,002**	**8,585**	**5,101**
Retail client savings			
Netherlands	5,525	5,108	4,577
Germany	3,576	3,606	3,894
Belgium	1,097	1,100	1,019
Total retail client savings	**10,198**	**9,815**	**9,490**

Solvency information

	2021	2020	2019
Equity attributable to shareholders of the company	1,828	1,803	1,865
AT1 and subordinated liabilities	463	478	484
Group capital base	2,291	2,280	2,349
Common Equity Tier 1 capital	1,630	1,631	1,605
Balance sheet total	22,658	21,055	22,407
Risk Weighted Assets	8,572	7,640	8,597
Common Equity Tier 1 ratio	19.0%	21.4%	18.7%
Pro forma Common Equity Tier 1 ratio 1 January 2022[1]	17.4%		
Tier 1 ratio	21.4%	24.0%	21.0%
Total capital ratio	22.5%	25.4%	24.7%
Leverage ratio	8.4%	9.2%	7.8%

1 due to prudential floor mortgages.

Funding & liquidity

	2021	2020	2019
LCR	184%	216%	222%
NSFR	129%	129%	121%
Loan-to-deposit ratio[1]	163%	150%	157%
Asset encumbrance ratio	28%	26%	28%
Retail savings / total funding	47%	47%	43%
Secured funding / total funding	23%	21%	23%
ESF / total funding	1%	2%	5%

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

Non-financial key figures

	2021	2020	2019
NIBC Direct customer survey score - Mortgages	8.1	8.0	8.0
NIBC Direct customer survey score - Savings	7.6	7.9	7.8
NPS score corporate lending clients	+59%	+30%	+47%
% of new corporate loans screened against sustainability policy	100%	100%	100%
Number of new corporate clients with increased sustainability risk assessment	21	14	10
Fines or sanctions for non-compliance with laws and regulations	0	0	0
Total number of FTEs end of financial period	637	644	667
Male/female ratio	65%/35%	67%/33%	67%/33%
Male/female ratio top management	77%/23%	83%/17%	85%/15%
Training expenses per employee (EUR)	2,773	1,882	3,504
Absenteeism (trend total)	2.2%	1.6%	2.0%
Employee turnover (employees started)	16.1%	13.2%	20.6%
Employee turnover (employees left)	17.6%	16.9%	18.6%

LETTER FROM THE CEO

Dear reader,

2021 was a year full of challenges and opportunities. COVID-19 continued to impact daily life and the way of working. The world economy has recovered on the back of government support actions, showing a return to growth and rising inflation. We continue to address the many challenges of today's banking landscape in an operating environment characterised by continued low interest rates, excess liquidity, regulatory demand and the short-term and long-term impact of continued government support measures. At the same time we provide our clients with the best possible service and support and ensure the well-being of our staff and stakeholders.

I am proud that we could close the acquisition of the Finqus portfolio in November 2021. This acquisition of a EUR 1.4 billion mortgage loan portfolio is at the sweet spot of our focus and is a transaction of unprecedented size for NIBC. With the transaction, we have welcomed over 17,000 new clients.

During the year we have made several strategic choices to further sharpen NIBC's business model. As announced on 23 November 2021, we have decided to seek growth in asset classes that fit with the profile of asset-backed financing and that are driven by sustainable development and technological innovation.

The basis of this strategy will be a focus on three core-activities, 1) Mortgages, in the Netherlands and through international expansion, 2) Asset-backed transaction financing in the areas of Commercial Real Estate, Digital Infrastructure, Shipping and Specialty finance such as Collateralised Loan Obligations (CLOs) and providing minority equity investments, and 3) Platform financing through Fintechs such as Beequip and yesqar. This being said, we also had to make difficult decisions that affected both our customers and colleagues. Following our new growth strategy, we decided to discontinue certain activities and to close our corporate banking activities in Frankfurt allowing us to focus and to deploy capital and resources to grow our business. I am very grateful to our colleagues who contributed professionally to this phase out.

We continue to deliver upon our promise of being a dynamic, entrepreneurial financing partner to our clients, resulting in a strong performance, both in net result and development of the portfolios in which we aim to grow. We saw growth in the various businesses and in the number of clients we served. We realised a strong net profit of EUR 178 million, benefitting from elevated investment income, of which more than half relates to realised gains, and lower credit losses. Over 2021, we saw a resilient net interest income of EUR 361 million, and steadily increasing fee income due to the further growth of our Originate-to-Manage (OTM) offering.

We further strengthened our mortgages client base and the Finqus transaction has helped to grow this franchise considerably, as we are currently servicing over 175,000 clients. During the year, we organically grew our owner-occupied mortgage loan portfolio to EUR 9.3 billion (+4%) and our Buy-to-Let (BtL) portfolio to EUR 1.1 billion (+28%). Lot Hypotheken has celebrated its one-year anniversary, with a steadily growing number of clients and total loans outstanding (own book and Originate-to-Manage) approaching EUR 1.6 billion. Lot Hypotheken is well-positioned for further growth in the mortgage market with a sustainability angle.

Also this year we deployed our solid capital and liquidity position to service our clients in support of their business ambitions and to continue strengthening our franchise. We further invested in our defined asset classes that underline our entrepreneurial culture. We have further expanded our fee generating OTM activities. Our OTM portfolio of mortgage loans grew to a total of EUR 10.5 billion

(+39%) with ample growth potential of a total mandate of more than EUR 12.7 billion. The corporate OTM portfolio grew to EUR 1.5 billion (+46%). As our identified growth areas realised healthy growth, we started to further reduce our non-core activities, resulting in a managed decrease of the corporate loan exposure. Our OIMIO label expanded its business to a total exposure of EUR 144 million in smaller ticket real estate financing.

Beequip, the largest alternative financier of equipment leasing in the Netherlands, hit a record by providing approximately EUR 500 million to SMEs, resulting in a portfolio of around 0.8 billion and positively contributed to the net result of NIBC. yesqar, which offers smart finance solutions to the automotive businesses, has had a successful first full year of operation, growing its portfolio to EUR 82 million. In combination with our existing experience from traditional asset-backed financing activities, these new initiatives of NIBC Holding complement our corporate client offering and help us address our client needs through various channels and propositions.

Our operating expenses are well under control, despite the fact that we have continued to invest in our IT environment to ensure our people were able to work from home, have invested in healthy growth in our chosen asset classes, and again have had to fully absorb the increased regulatory costs. All in all, the increase in income has more than compensated for the increase in expenses. This resulted in an improved cost/income ratio of 47% (2020: 52%). Due to improved market conditions, and the impact of our long-term strategy of de-risking our portfolios. Our credit loss expenses were significantly lower at EUR 35 million.

Serving our clients in the best possible way is and remains at the center of our organisation. NIBC has a robust and fully integrated sustainability strategy that guides our business decisions. We see the demand for sustainable transactions in our corporate asset classes increasing, as clients focus on making their businesses sustainable and linking this to their financing solutions. This was also an important consideration in our strategic decision to withdraw from the offshore energy asset class. Through our Lot mortgages label, NIBC offers sustainable mortgages at competitive rates for retail clients, whilst Beequip and yesqar also provide platforms for green equipment and fleet electrification. The appreciation of our client focus is reflected in the positive client feedback, with a net promoter score of +59% for corporate lending and a 8.1 out of 10 score following the mortgage customer survey.

With our firm ESG profile, we are well positioned to contribute to a more sustainable, resilient and inclusive future for the communities we serve. As we look back on 2021, more than half of our commercial and retail real estate exposures have already achieved an energy label C or better, our inaugural green senior preferred issuance attracted new responsible investors to NIBC, and our award-winning ESG CLO program continues to lead in its asset class.

To further develop and implement NIBC's focused strategy, we have strengthened our Corporate Development team and welcomed Jurre Alberts as head of the department and new member of our Executive Committee. As a consequence of the strategic direction of the bank, we have parted ways with Caroline Oosterbaan as a member of the Executive Committee in January 2022. I am grateful for Caroline's dedication and contribution to the development of NIBC's corporate client franchise and to the team over the past years. The EGM in March has appointed Joop Wijn and the EGM in September has appointed Leni Boeren as new members of the Supervisory Board.

At the heart of our business are our talented and motivated people. As a bank built for entrepreneurs, we are committed to foster our 'Think YES' mentality by being professional, entrepreneurial and inventive and by matching our clients' can-do attitude. I would particularly like to thank our employees for their continued trust, flexibility and hard work to support our clients in these challenging times.

Although we see improvements, the economic climate for the year ahead remains uncertain, especially due to the recent geo-political environment. Yet, there are also positive macroeconomic signs which further motivate us to help our clients to realise new growth opportunities. Our solid capital position, reflected in a Common Equity Tier 1 ratio of17.4% (as from 1 January 2022), allows us to support our clients in their growth ambitions and to simultaneously further build our franchises (inorganically and organically) in the asset classes we have chosen to focus on. We will also further invest to align our organisation with the chosen strategy. I am confident that NIBC has a sound basis for future growth, with our firm ESG profile, solid capital position and risk profile and an entrepreneurial spirit, all realised by our talented and motivated colleagues.

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

Paulus de Wilt
Chief Executive Officer
Chairman of the Board

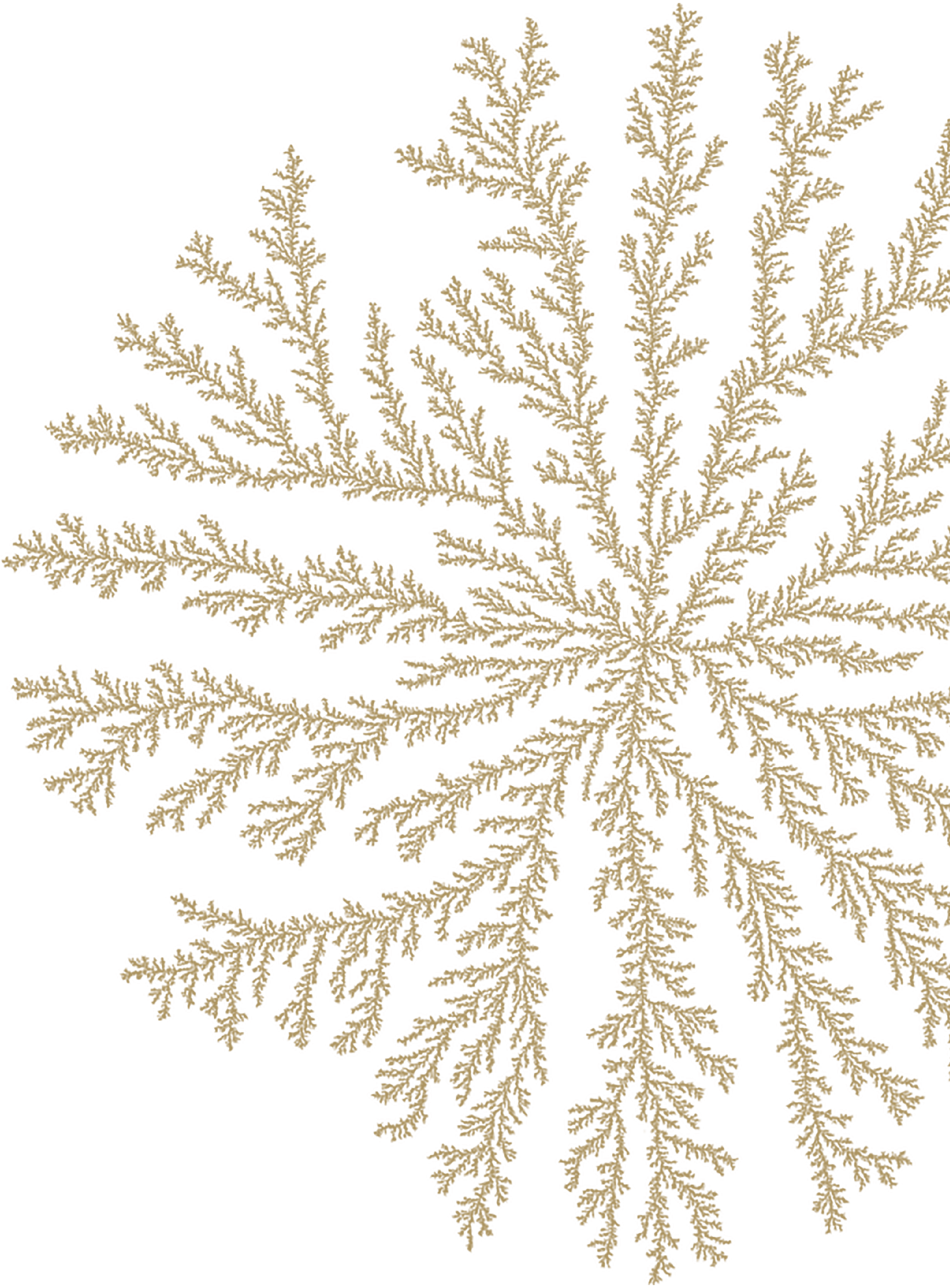
Herman Dijkhuizen
Chief Financial Officer
Vice-Chairman of the Board

Reinout van Riel
Chief Risk Officer
Member of the Board

Michel Kant
Member of the Executive Committee

Saskia Hovers
Member of the Executive Committee

Jurre Alberts
Member of the Executive Committee



REPORT OF THE MANAGING BOARD

REPORT OF THE MANAGING BOARD

The current chapter, together with the At a glance chapter, Key figures chapter, Corporate Governance chapter and the In Control Report, are considered part of the Report of the Managing Board, as referred to in Part 9 of Book 2 of the Dutch Civil Code.

VISION AND STRATEGY

Purpose and corporate values

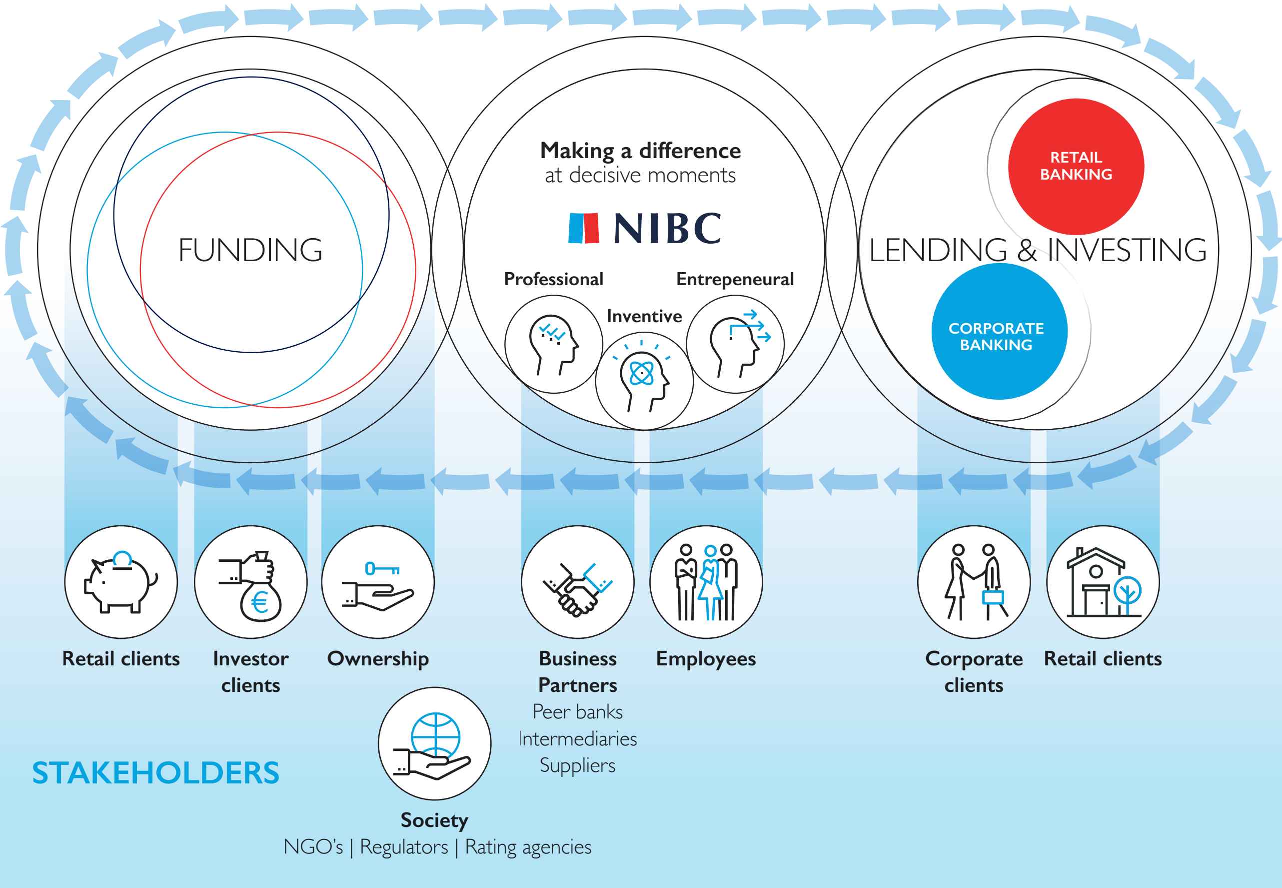
Our purpose is to create a sustainable franchise for the future, so we can continue to make a difference for our clients by focusing on their most decisive moments in business and in life.

As a bank built for entrepreneurs, we are committed to cultivate our 'Think YES' mentality by being flexible and agile and by matching our clients' can-do attitude.This also enables us to address the continuously higher requirements set by the outside world, e.g. regulators. Our everyday decisions and actions are guided by three corporate values, with which we aim to differentiate ourselves in the market:

1. **Professional**: Our in-depth sector knowledge, expert financial solutions and tailored risk and portfolio management are the foundation of our success.
2. **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.
3. **Inventive**: We provide bespoke solutions and encourage our people to think creatively to meet clients' financial needs.

All of NIBC's business units are responsible for managing sustainability risks and opportunities as part of their regular activities. Also NIBC's subsidiaries, although operating independently, follow the governance, compliance and sustainability approach of NIBC Bank. They have adapted this to their scale and complexity, applying proportionality, reasonableness and common sense as described in international standards.

Creating long-term value



NIBC's value creation story is unique. Established in 1945 to help rebuild the Netherlands after the Second World War, NIBC is strongly rooted in its obligations to create societal value and financial resilience.

Over time NIBC has evolved to become an enterprising bank offering asset-based financing and coinvesting services to entrepreneurial corporate and retail clients in northwestern Europe. By continuing to transform our business and adapt to changing societal needs, we aim to continue our tradition of creating long term value for stakeholders.

NIBC's approximately 700 employees serve over 450,000 retail clients, 450 corporate clients and approximately 3,000 small-medium sized leasing clients, who rely on us to deliver secure and reliable banking services As a mid-sized financial institution operating from the Netherlands, the United Kingdom, Germany and Belgium, we are differentiated from peers in the markets we serve, the asset classes on which we focus, the product mix that we offer and our ability to innovate and adapt to changing market circumstances.

The operating environment is dynamic and the risks and opportunities in this environment impact our ability to create value. Social and economic impacts of the COVID-19 pandemic, technology, demographic changes, global warming, a continued low interest rate environment and increased regulation and oversight are influencing NIBC and our stakeholders.

Several drivers are crucial to our value creation model. Our relationships with retail and corporate clients are based on trust. Access to funding through retail savings, debt investors and shareholders enable us to execute our strategy. Our employees bring us the skills and knowledge needed to deliver our strategy. Our risk management systems and processes reduce the risks related to our product offering for NIBC as well as for our clients. Our technology and data capabilities help us to deliver a great client experience, to scale and to run as a modern financial institution without the need for brick and mortar branches. And our relationships with regulators, rating agencies and civil society organisations bring strength to our brand and reputation.

We aim to deliver value to our stakeholders. Our corporate clients receive funding to grow their business. Our mortgage clients receive funding to purchase their home. Our savings clients are enabled to safely save for tomorrow and increase their financial resilience. Our workforce is increasingly diverse, innovative, adaptable and living our corporate values. Our investors receive good returns enabling them to meet their goals. And the communities we serve are more resilient and strong, benefitting from the growth, services and opportunities we've helped to empower.

Looking ahead, the sectors and activities which NIBC is pursuing reflect growth opportunities, our ambition to accelerate growth, long-term societal needs, and NIBC's sustainability priorities. For example, NIBC Bank's retail offerings (mortgage loans & Buy-to-Let) and three corporate focus sectors (Commercial Real Estate, Digital Infrastructure, and Shipping) are activities which will be needed today as well as after 2050 and therefore need to transition to net zero aligned to EU and Paris Agreement targets. NIBC's award-winning North Westerly ESG CLO program is bringing investment to private companies and providing opportunities for responsible investors. And our platform activities are well-positioned to enable a sustainable transition in the leasing markets they serve.

2021 Material themes

NIBC recognises its responsibilities towards external and internal stakeholders, regularly engages with them and considers their interests in its day-to-day decisions and activities. Engaging with stakeholders in a proactive way and on a continuous basis is central to our way of working.

We define stakeholders as any group or individual affected directly or indirectly by our activities. We have identified our main stakeholders to include clients, institutional investors, shareholders, regulators, employees and civil society organisations. We actively seek these connections to the world around us to ensure we reflect on our business, understand our impact and to continue to innovate .

During 2021, stakeholders prioritised the following themes::

- Financial Performance
- Climate Resilience
- Business Ethics, incl. integrity, culture & behaviour
- Regulatory Change & Compliance
- Data Security

Other themes that were discussed included client satisfaction, ESG risk management, product responsibility & fairness and diversity & inclusion. Our materiality assessment is available on NIBC's corporate website.

Strategic priorities

We have identified six strategic priorities that describe our identity and the way we operate:

1. Continuous evolution of client franchise, expertise and propositions.

2. Focus on growth of asset portfolio in core markets. We differentiate ourselves by setting a clear focus, both geographical and operational. We are active in sectors and markets we know best, with products that can make a difference for our clients.
3. Diversification of income.
4. Building on existing agile and effective organisation.
5. Ongoing investment in people, culture and innovation.
6. Further deployment of our capital and diversification of funding. One of our strengths has always been a strong capital position, providing flexibility to support our strategic choices, whether by further growth or restructuring of our organisation.

Continuous development

Business review and strategic choices
We continuously evaluate our activities and remain focused on asset classes where the risk/return ratio is in line with our risk appetite. This has led to expansion in certain asset classes, refocus in others but also exit of a market if the risk/return ratio does not meet our requirements.

Our results show that our niche-oriented strategy is successful, and therefore we have decided to further sharpen this. By further focusing our portfolio, we will create room for growth in those areas where we see the most attractive opportunities. As announced on 23 November 2021, NIBC will focus on the following core-activities:
1. Mortgages, in all our expertise domains (owner-occupied and Buy-to-let (BtL), on- and off-balance), including international expansion.
2. Asset-backed transaction financing in the fields of Commercial Real Estate (also through our label OIMIO), Digital Infrastructure (including OtM) and Shipping and specialty financing, such as Collateralised Loan Obligations (CLOs) and providing minority equity investments.
3. Platform financing through Fintechs such as Beequip and yesqar.

To enable growth in these areas we will phase out the activities in the other asset classes such as Offshore Energy and Leveraged Finance.

From an ESG perspective, the strategic choice to phase out our exposure in offshore fossil energy is an important step that reflects our view on the long-term ESG risks related to those activities.

Mortgages
NIBC offers mortgage loans, Buy-to-Let mortgage loans and saving products to its retail clients. Over the years, we have built a strong mortgage franchise with more than 175,000 clients. On 17 November 2021, we were able to close out the transaction relating to the acquisition of the Finqus mortgage loan portfolio. We welcomed more than 17,000 new clients and a volume of EUR 1.4 billion, underpinning our strategy to grow our mortgage franchise.

With transparent pricing and conditions, the products offered by NIBC help our clients executing or preparing for their decisive moments. Our owner-occupied, BtL and OTM mortgage loans are offered primarily via third-party mortgage brokers. Following NIBC's overall business model, the Retail Client Offering focuses on products where NIBC 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. With little over 100 colleagues directly involved, we are working to continuously shape and support the Retail Client Offering within NIBC.

		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 mortgage loans 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 OTM partners, 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, process 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. For these mandates, 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 periods. Market-wide, almost 70% of new mortgage loans are currently originated with 20-30 years fixed rate periods. At the end of 2021, NIBC reached a total mandate for the origination of OTM mortgages of almost EUR 13 billion.

Being able to offer a complete product mix through its different labels provides NIBC with a strong origination position. This has helped to originate sufficient new mortgage loans to offset the elevated level of prepayments. Settlement of the portfolio purchase from Finqus, has helped to grow this portfolio to over EUR 10 billion.

The BtL market continues to grow, and NIBC has been able to grow its portfolio by more than 25% to over EUR 1 billion over the past year. With the 'Vastgoed Hypotheek' product, NIBC is offering a product designed for financing leased residential real estate. We finance investors focused on building or expanding a portfolio including smaller and medium-sized properties. The product is distributed through intermediaries and appraisers as well as directly by NIBC.

Asset-backed transactions and specialty financing

NIBC organizes its corporate client offering by asset classes and products. We focus on serving medium-sized corporate clients in selected asset classes in the Netherlands and across Europe with the purpose to enable them to achieve their goals and growth ambitions. As a speciality financier, we differentiate ourselves from traditional peers by the fact that we do not offer current accounts, transaction banking or other 'flow-related' products to corporate clients.

In the last years, NIBC has continued optimising its operations towards a more digitalised and standardised model, allowing us to focus on scalable growth initiatives and smaller ticket sizes. NIBC has onboarded its origination processes and customer relationship management onto a single digital platform, allowing us to service our clients more efficiently and effectively.

Commercial Real Estate

In Commercial Real Estate NIBC focuses on financing several niches in the Netherlands where we have in depth sector knowledge with focus on transactions between EUR 10 million to EUR 50 million. We service small SMEs in their growth ambitions with asset-backed loans ranging from EUR 1 million to EUR 10 million through our label OIMIO. Furthermore, we are active in financing project development and redevelopment. We offer national and international real estate developers and investors innovative and creative financing solutions.

Shipping

Our Shipping sector team of dedicated industry professionals offers expertise in sector trends and the impact of economic conditions. The Hague-based team helps clients capture opportunities and address challenges from expanding global trade, population growth and the increase in the shipping of goods. NIBC continues to focus on smaller tickets and a selective client strategy offering covenant tight collateralised financing to High Net Worth Entrepreneurs clients and medium sized corporates. We apply a conservative structuring approach with early warning mechanisms and active portfolio management.

Digital Infrastructure

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, and public-private infrastructure projects towards selective renewable projects and digital infrastructure projects like the financing of data centres, glass fibre networks and port storage facilities with shorter tenors. We plan to further expand this activity with loans both on and off-balance through Originate-to-Manage solutions. Having build extensive market knowledge, NIBC is also broadening its geographical focus to Europe for its Digital Infrastructure proposition.

Specialty financing

We have also further developed our Originate-to-Manage (OTM) proposition as part of our corporate client offering. This focuses mainly on digital infrastructure, enabling NIBC and its OTM partners to participate in a more meaninfull way. Next to this, we are proud that in 2021, we have successfully launched North Westerly VII CLO and have started preparations for the next CLO under this programme. NIBC Investment Partners is the captive investment arm of NIBC, providing minority equity to Dutch SME companies and real estate development projects. We support both entrepreneurs and projects with growth capital, by investing through minority shareholdings (20-50%).

Platform financing

In 2021, we have further developed our platform financing activities through our subsidiaries Beequip and yesqar. Beequip provides leasing solutions for equipment financing. We are proud that Beequip has been able to grow a lease portfolio of almost EUR 800 million within 5 years from its launch, with around 3,000 clients. In 2021, Beequip closed a contract to lease more than 200 electric vehicles also demonstrating the importance of ESG. yesqar offers smart finance solutions to automotive businesses. In September 2020 NIBC acquired the data technology company Finquest to found QarQuest, which commercial proposition is made under the label yesqar. yesqar offers its solutions to the automotive sector with an exclusive focus on financing cars on stock and car leasing portfolios. This new initiative combines the extensive financial expertise of NIBC with the power of data and market knowledge of technology company Finquest.

Other activities

In 2018 NIBC announced its rebalancing strategy, as the bank anticipated to transform the nature of the transactions in some of its asset classes. In 2021, we have sharpened this strategy and announced that we will accelerate it in the coming years, with a focus on asset-backed transaction, speciality financing and platform financing. To align NIBC's structure, we have decided to phase out activities in certain markets. We are in close contact with the clients involved to make sure that also after our withdrawel, the clients can fulfill their ambitions. Until that moment, we continue to service our existing client base in these asset classes to the best of our ability. In this report, we present these activities under non-core loans.

Treasury & Group Functions

Treasury & Group Functions performs the Treasury and *Asset & liability management* (**ALM**) functions. As such, it provides the funding to the commercial activities undertaken in the two other segments (Retail and Corporate Client Offering). 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 & Regulatory Affairs, Operations & Facilities, Information Technology, Finance, Tax, Data Management and Strategy & Development. The income statement of the Treasury & Group Functions segment is the reflection of these various activities, after allocation of the relevant costs to the other segments.

For sustainability risks and outcomes please refer to the Sustainability chapter.

FINANCIAL REVIEW

Performance summary

- Following the economic recovery in the Netherlands and across Europe, profitability recovered in 2021. Profit after tax increased significantly on the back of a modest reduction of net interest income, fully offset by strong investment income and significantly lower credit losses.
- Operating income increased by EUR 90 million compared to 2020 (+20%). A limited decrease in net interest income is more than offset by a strong increase in investment income and positive other income. Fee income steadily increased, as NIBC continued to expand its Originate-to-Manage product offering.
- Impairments decreased by almost 75% compared to 2020 on the back of the observed global recovery. Most of the

Income statement

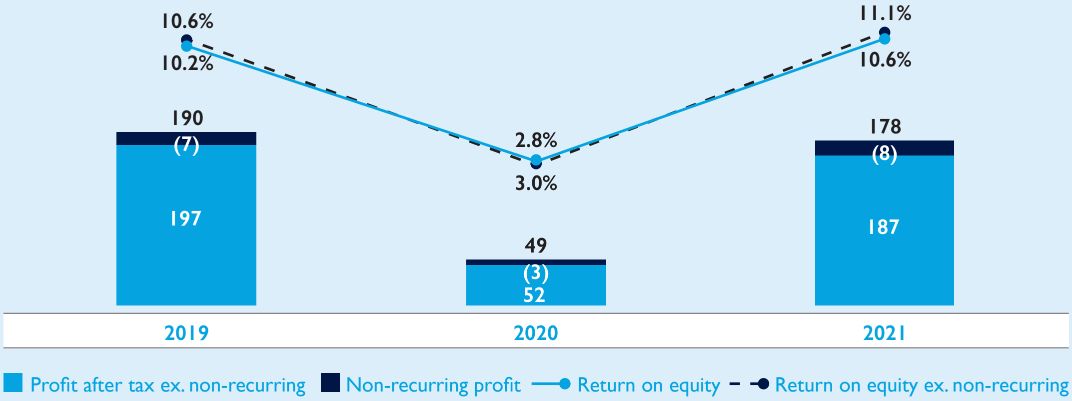
in EUR millions	2021	ex. non-recurring 2021	2020	ex. non-recurring 2020	2021 vs. 2020	ex. non-recurring 2021 vs. excl. non-recurring 2020
Net interest income	361	361	386	386	(7%)	(7%)
Net fee and commission income	46	46	43	43	7%	7%
Investment income	84	76	7	7	>100%	>100%
Other income	7	7	(29)	(29)	>100%	>100%
Operating income	**497**	**489**	**407**	**407**	**22%**	**20%**
Personnel expenses	111	94	101	97	11%	(3%)
Other operating expenses	99	97	89	88	11%	10%
Depreciation and amortisation	5	5	5	5	(2%)	(2%)
Regulatory charges and levies	20	20	16	16	24%	24%
Operating expenses	**235**	**216**	**210**	**206**	**12%**	**5%**
Net operating income	**262**	**273**	**196**	**201**	**33%**	**36%**
Impairments of financial and non financial assets	35	35	134	134	(74%)	(74%)
Tax	37	39	1	2	>100%	>100%
Profit after tax	**190**	**199**	**61**	**64**	**>100%**	**>100%**
Profit attributable to non-controlling shareholders	12	12	12	12	0%	0%
Profit after tax attributable to shareholders of the company	**178**	**187**	**49**	**52**	**>100%**	**>100%**
Return on equity	**10.6%**	**11.1%**	**2.8%**	**3.0%**	**8%**	**8%**

impairments are related to stage 3 exposures. Given the continued uncertainty and the limits of addressing the extra-ordinary situation of today in the regular ECL models, NIBC as continued to apply a management overlay, which equaled EUR 14.5 million per the end of 2021. This overlay relates to both stage 1 and stage 2 ECL amounts.

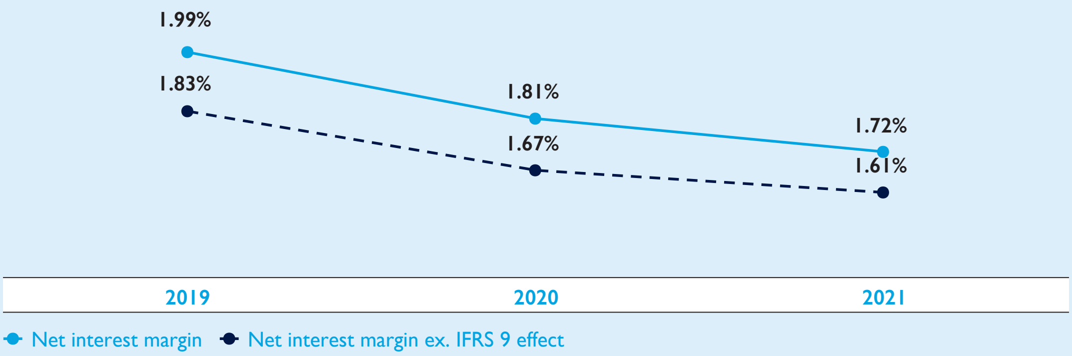
- Operating expenses increased due to increasing personnel expenses, includijng expenses following the sharpened strategic focus, higher business process outsourcing expenses (driven by increasing mortgage loan volumes) and higher regulatory charges related to increasing contribution to the Dutch deposit guarantee scheme.

Profit after tax attributable to shareholders and return on equity

in EUR millions

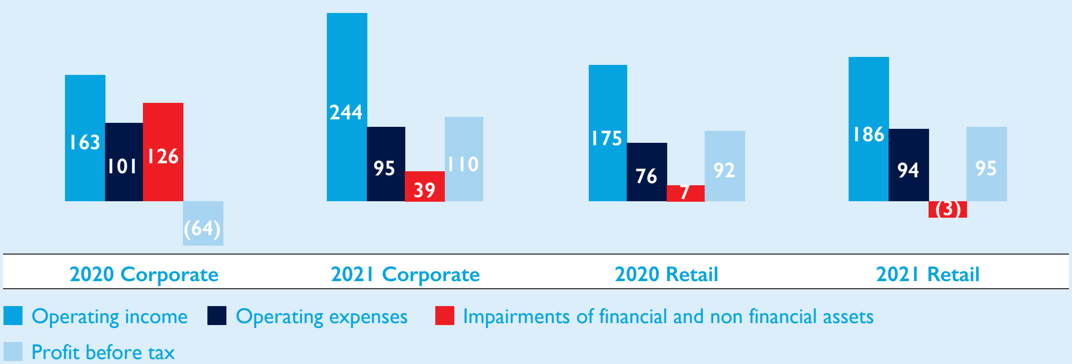


Net interest margin



Financial performance Corporate and Retail Client Offering

In EUR millions



Financial performance

Operating income

Within operating income, the development of NIBC's loan portfolios provided a solid basis for the 2021 performance. Net interest income shows a modest decrease, driven by the choice to balance origination during 2020 in the corporate segment, impacting the balance between corporate and retail assets, and by a declining portfolio spread of the mortgage loan portfolio, partially offset by an increased portfolio spread on the corporate loan portfolio and elevated prepayment penalties. As a result of these developments, the net interest margin shows a moderate decrease. Fee income continued to steadily increase following the further development of NIBC's OTM offering. In 2021, the equity portfolio reports a strong performance. Through both realised results following successful exits from the portfolio and positive revaluation results, investment income increased significantly. This is in line with the overall performance of equity markets throughout the year, supported by both a strong economic recovery and the continued low-interest environment. Other income includes positive results on repurchased funding, positive revaluation results on loans classified at fair value through profit or loss and positive net results from hedge accounting, partly offset by negative sale results on loans at amortised cost.

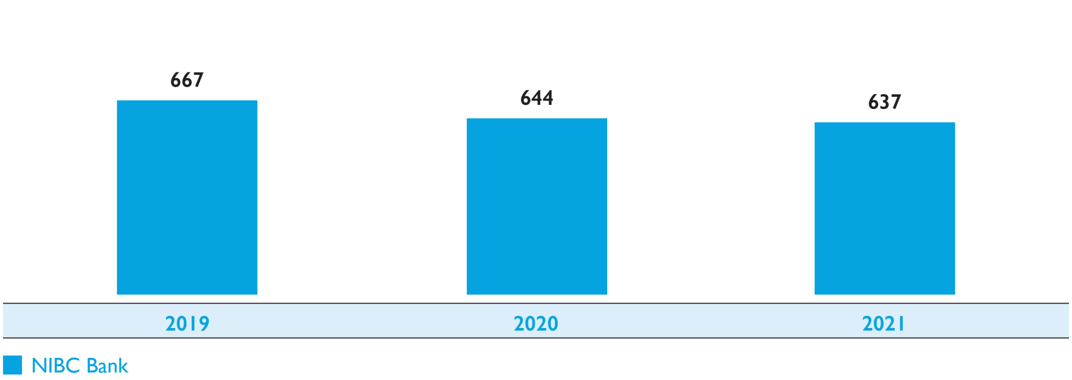
Investment income includes EUR 8 million of non-recurring income that relates to the successful sale of the equity stake of a restructured position.

Operating expenses

Based on the recurring results, the cost/income ratio decreased back to the target level of 47% as the increase in operating income more than offsets the increase in operating expenses. Key drivers for the increase in recurring operating expenses of 5% are personnel expenses, business process outsourcing costs, mainly related to the increasing mortgage loan portfolio and an increase in regulatory charges related to an increase in NIBC's contribution to the Dutch *deposit guarantee scheme* (**DGS**).

Within NIBC Bank N.V. the number of *Full-Time Equivalents* (**FTEs**) decreased in 2021. Following the announcement of NIBC's strategic focus, around 60 FTEs will be made redundant, spread over the Netherlands and Germany, and the number of FTEs is consequently expected to decrease in 2022.

FTE development



Operating expenses include advisory and project costs relating to the Finqus transactions. Additionally, they continue to include programme costs through which NIBC invests to become more agile and efficient in addressing changing regulation and exploring new opportunities.

Non-recurring expenses are related to the one-off retention package introduced following the acquisition of NIBC by Blackstone and the reorganisation expenses related to the strategic choices announced in November 2021.

Impairments of financial and non-financial assets

Credit loss expenses are significantly lower, following the economic recovery in 2021, on the back of government support actions and supportive monetary policy. Main driver for the reported credit losses are the losses recognised on stage 3 assets within the corporate loan portfolio, whereas both stage 1 and stage 2 corporate loans report a release in 2021. The mortgage loan portfolio shows a net release, driven by positive developments of the Dutch house prices. This has led to a decrease in ECL for stage 1 and stage 2 mortgage loans.

As the ECL modelling outcome is the result of assumptions and inputs, executed in a time frame around reporting date, the outcome may not fully reflect all risks and circumstances as they are present at reporting date. It is unlikely that these circumstances are fully captured in the predictive value of the model, nor are they included in the historical data on which the models have been constructed. In this period of increased uncertainty, especially with respect to economic developments and the potential long-term effects of government support, a management overlay is recognised to correctly reflect all risks and uncertainties per 31 December 2021. The total management overlay per reporting date equals EUR 13 million (2020: EUR 15million). For more information please refer to note 12 of the Financial Statements.

Coverage ratios stage 1 and stage 2 exposures

	2021 Stage 1	Stage 2	2020 Stage 1	Stage 2
Mortgage loans				
Carrying value	11,694	125	10,046	193
ECL allowance	2	7	2	8
Coverage ratio	0.0%	5.2%	0.0%	4.2%
Loans				
Carrying value	5,645	531	5,461	679
ECL allowance	14	26	17	27
Coverage ratio	0.3%	5.0%	0.3%	4.0%
Lease receivables				
Carrying value	-	-	-	-
ECL allowance	-	-	-	-
Coverage ratio	0.0%	0.0%	0.0%	0.0%
Total				
Carrying value	17,338	656	15,507	872
ECL allowance	16	33	19	35
Coverage ratio	0.1%	5.0%	0.1%	4.0%

Dividend

The policy of NIBC Bank N.V. is to have a 100% dividend pay-out ratio to its sole shareholder, NIBC Holding N.V..

Medium-term objectives

Although also 2021 was impacted by COVID-19, NIBC could recover to pre-COVID perfomance levels and most of our identified medium-term objectives could be achieved.

Medium-term objectives

	Medium-term objectives	2021	2020	2019
Return on equity	10-12%	10.6%	2.8%	10.2%
Cost/income ratio[1]	<45%	47%	52%	44%
CET 1[2]	≥14%	19.0%	21.4%	18.7%
Rating Bank	BBB+	BBB+ Stable	BBB+ Negative	BBB+ Stable
Dividend pay-out ratio	≥50%	100%	100%	100%

1 Cost/income ratio including non-recurring items.
2 As from 2019, non-Solvency ratios are based on full implementation of CRR. As from 2019, non-eligible profits attributable to the shareholders are no longer added to regulatory capital.

Also in 2021, liquidity management efforts at NIBC have been intensified. Additional liquidity buffers were created to maintain sufficient liquidity buffers and ratios at all times and to prefund the acquisition of the Finqus portfolio. It was the first time in many years that NIBC had to fund an acquired portfolio of over EUR 1 billion.

The topic of ESG is becoming more prominent within NIBC as well as in the funding markets. Consequently, we decided to enter the green bond market. In November 2021, we issued our first green bond, with strong market demand, providing us with the opportunity to issue EUR 750 million.

The use of the *Targeted Longer-Term Refinancing* Operations (**TLTRO**) decreased, as NIBC has fully repaid the outstanding amount under TLTRO-II (EUR 448 million), and has only drawn amounts under TLTRO-III of EUR 550 million per balance sheet date.

Taxes

Taxes reflect the profit registered over the full year. The effective tax rate of 16% is below the applicable corporate income tax rate in the Netherlands, mainly because a substantial part of the 2021 income relates to tax exempted investment income. Other factors relate to expenses that are not tax deductible and different tax rates in other countries.

Balance sheet development

- The composition of our asset portfolios has further developed in line with NIBC's strategy of building a more granular portfolio with increased focus on mortgages, asset-backed finance and financing platforms.
- Total assets have increased in 2021, as a result of the acquisition of the Finqus mortgage loan portfolio (EUR 1.3 billion at year-end) as well as growth through origination of mortage loans. Loans increased due to additional funding provided to other subsidiaries of NIBC Holding.
- In 2021, NIBC implemented a new Definition of Default for its mortgage loans, resulting in an increase in stage 3 mortgages. Defaulted mortgage loans acquired as part of the Finqus portfolio are classified as POCI assets, leading to the reported increase.
- The covered bond position has increased due to two EUR 500 million transactions in 2021, with maturities of 10 and 9 years, respectively.

Assets

in EUR millions	2021	2020	2019
Cash and banks	2,598	2,554	2,653
Loans	6,530	6,439	7,778
Lease receivables	8	16	25
Mortgage loans	11,940	10,245	10,045
Debt investments	924	977	1,056
Equity investments	237	226	274
Derivatives	334	494	482
Other assets	88	104	95
Total assets	**22,658**	**21,055**	**22,407**

Liabilities and equity

in EUR millions	2021	2020	2019
Retail funding	10,549	10,244	9,756
Funding from securitised mortgage loans	267	327	391
Covered bonds	4,011	3,004	3,003
ESF (including other deposits GE)	298	383	1,191
All other senior funding	4,977	4,630	5,378
Tier 1 and subordinated funding	263	278	284
Derivatives	154	100	225
All other liabilities	111	86	112
Total liabilities	**20,630**	**19,052**	**20,342**
Equity attributable to shareholders of the company	1,828	1,803	1,865
Capital securities (non-controlling interest)	200	200	200
Equity attributable to non-controlling interests	-	-	-
Total liabilities and shareholders' equity	**22,658**	**21,055**	**22,407**

NIBC's first senior unsecured green bond issuance of EUR 750 million has helped grow the senior funding position.

ECL staging

31 December 2021		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost	Mortgage loans	11,694	125	68	52	11,940
	Loans	5,645	531	163	43	6,381
	Lease receivables	-	-	8		8
	Debt investments	25	-	-		25
Fair Value through OCI	Debt investments	850	3	-		852
Total		**18,213**	**659**	**240**	**95**	**19,207**

31 December 2020		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost	Mortgage loans	10,046	193	5	-	10,245
	Loans	5,461	679	104	66	6,309
	Lease receivables	-	-	16	-	16
	Debt investments	22	-	-	-	22
Fair Value through OCI	Debt investments	883	3	-	-	886
Total		**16,412**	**875**	**125**	**66**	**17,479**

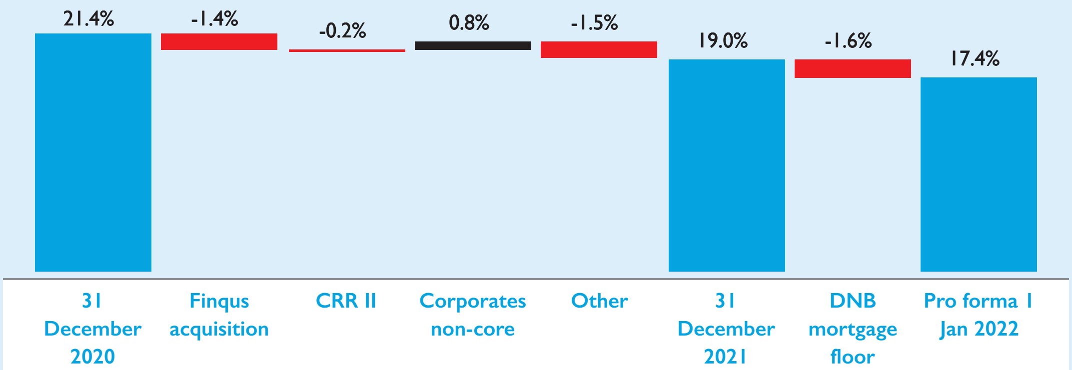
Credit quality ratios

	2021	2020	2019
Impaired coverage ratio	28%	37%	33%
NPL ratio	2.6%	2.1%	2.5%
Top-20 exposure / Common Equity Tier 1	63%	63%	88%

Solvency and Liquidity

- NIBC has a solid capital position reflected in a *Common Equity Tier 1* (**CET 1**) ratio of 19.0%. The decrease is caused by an increase in RWAs. Key driver is the acquisition of the Finqus portfolio (-1.4% point).
- In 2021, CRR II has been implemented. This resulted in an increase in RWAs related to derivatives due to the implementation of SA-CCR. The implementation of the prudential backstop did not have a material effect in 2021.
- As from 1 January 2022, DNB has implemented the prudential floor for Dutch mortgage loans. For NIBC, the impact is an increase of almost EUR 800 million RWA and a decrease of 1.6% of CET 1 ratio, to 17.4%.
- NIBC actively manages its liquidity position, aiming for ample liquidity buffers. This is evidenced by a strong *liquidity coverage ratio* (**LCR**) at 184% and a solid *net stable funding ratio* (**NSFR**) of 129%.

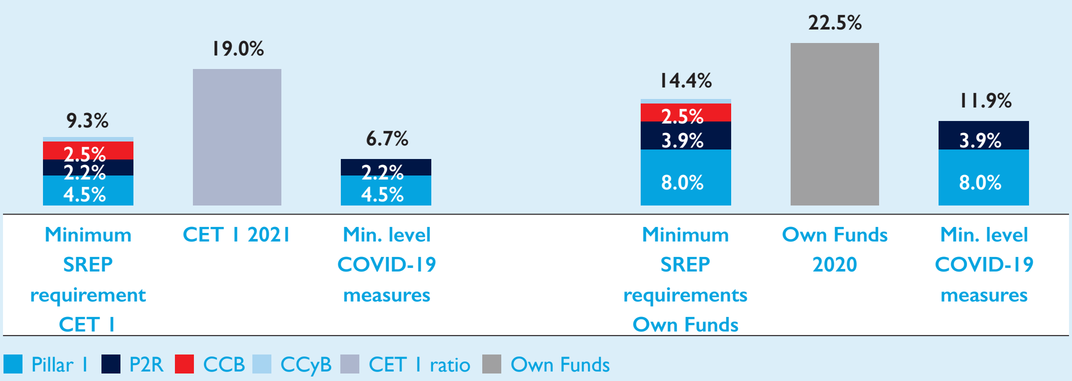
CET 1 development



Credit risk per exposure class

Exposures including Credit Conversion Factor in accordance with CRR	2021 Exposure	RWA	Average risk weight	2020 Exposure	RWA	Average risk weight
Corporate exposures	7,777	4,220	54%	7,467	4,053	54%
Mortgage loans	12,055	1,643	14%	10,108	988	10%
Institutions	862	184	21%	885	178	20%
Equity	259	959	370%	252	931	370%
Securitisation	843	272	32%	849	277	33%
Other including corporate derivatives	477	264	55%	422	223	53%
Central Government	1,840	0	0%	1,979	0	0%
Total	**24,114**	**7,542**	**31%**	**21,960**	**6,650**	**30%**

Capital ratios compared to SREP level



- Active liquidity management and selective use of the various funding instruments have resulted in a further decrease of the funding spread, even though financial markets have seen considerable volatility in spread levels throughout the year.

Liquidity ratios

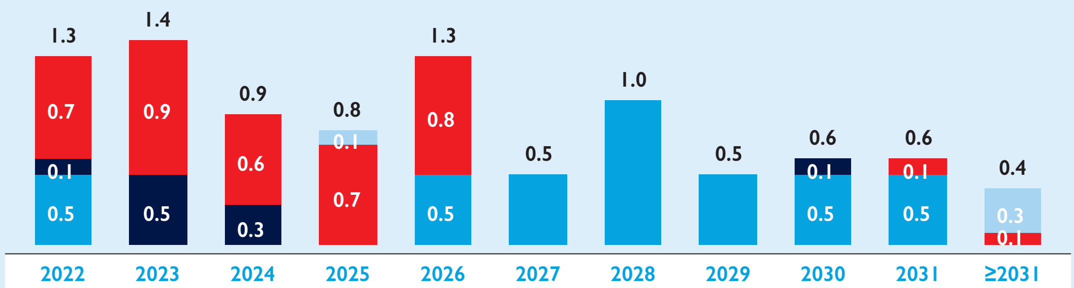
	2021	2020	2019
LCR	184%	216%	222%
NSFR	129%	129%	121%
Loan-to-deposit ratio[1]	163%	150%	157%
Asset encumbrance ratio	28%	26%	28%
Retail savings / total funding	47%	47%	43%
Secured funding / total funding	23%	21%	23%
ESF / total funding	1%	2%	5%

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

Funding composition and spread

Shareholders' equity · Secured (wholesale) funding · ESF deposits (including other deposits GE) · Other unsecured (wholesale) funding · TLTRO · Retail funding · Funding spread

Maturing wholesale funding



Covered bonds · Other secured funding · Senior unsecured · Subordinated

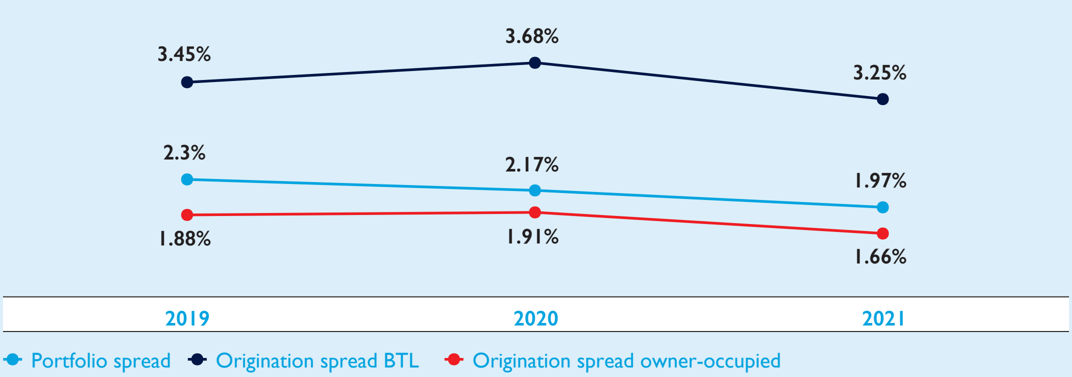
Performance Retail Client Offering

- NIBC continues to report a diversified operating income within its Retail segment, shifting towards net fee income through the OTM mortgage portfolio.
- Due to strong competition in the mortgage market, spreads are under pressure, resulting in a 20bps decrease of the portfolio spread.
- The Originate to Manage portfolio further increased with origination of EUR 3.6 billion, leading to a continued increase of net fee income, supporting diversification of income.
- Also in 2021, the prepayment penalties are at an elevated level of EUR 34 million (2020: EUR 24 million).
- Increasing housing prices have resulted in a release of EUR 3 million in credit loss expenses.
- The increase in operational expenses is mainly driven by the increase of EUR 5 million in DGS expenses, as the result of higher savings volumes, and new projects and investments in people and technology.

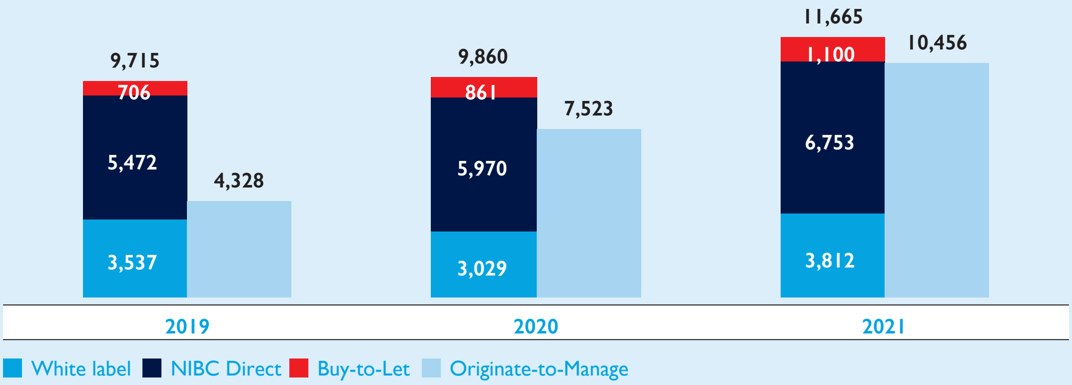
Income statement Retail Client Offering

in EUR millions	2021	2020
Net interest income	152	148
Net fee income	34	28
Investment income	-	-
Other income	(1)	-
Operating income	**186**	**175**
Other operating expenses	79	66
Regulatory charges and levies	15	10
Operating expenses	**94**	**76**
Net operating income	**92**	**100**
Impairments of financial and non financial assets	(3)	7
Profit before tax	**95**	**92**
Tax	24	23
Profit after tax	**71**	**69**

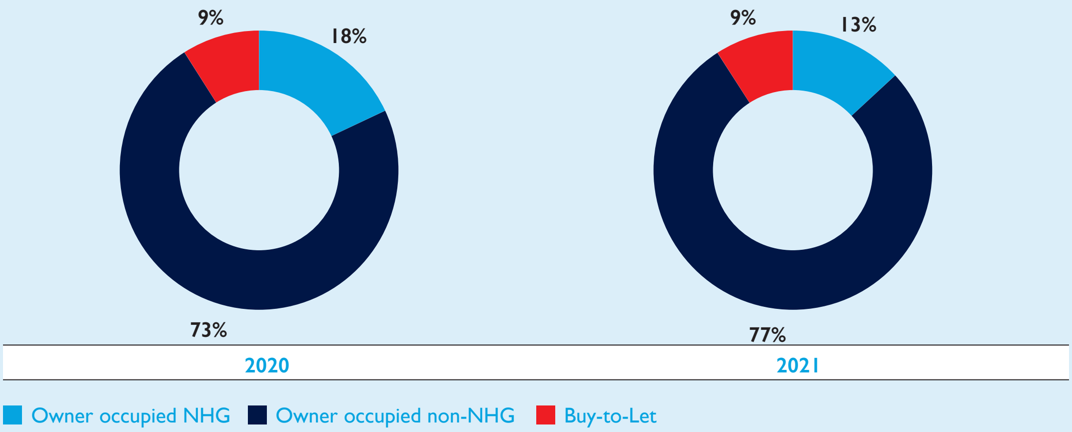
Retail spread above base



Mortgage portfolio development



Mortgage loan portfolio per product type



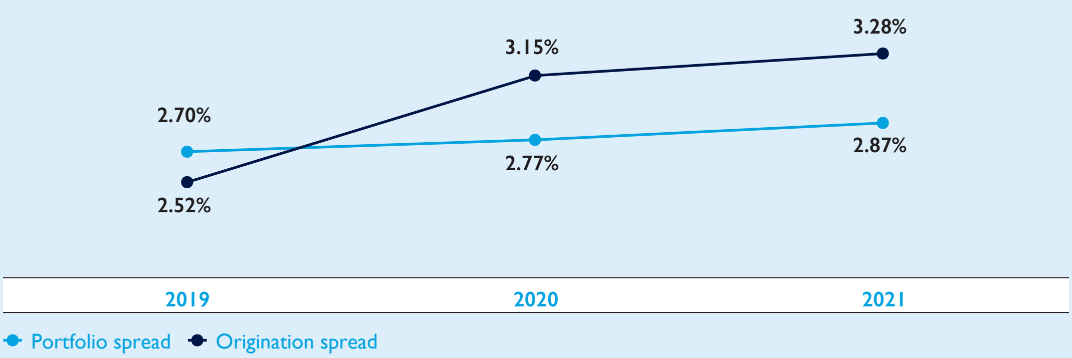
Performance Corporate Client Offering

- The Corporate Client segment reports a strong recovery of net profit. This is largely driven by very positive results from our Investments, a steady inflow of income from new origination and supported by lower operating expenses and significantly lower credit loss expenses.
- Decreasing net interest income following deliberate low origination volumes in 2020, only partially offset by an improving portfolio spread on the back of increased focus on niches where risk/return is favourable.
- High investment income due to positive revaluation results and favourable exits.

Income statement Corporate Client Offering

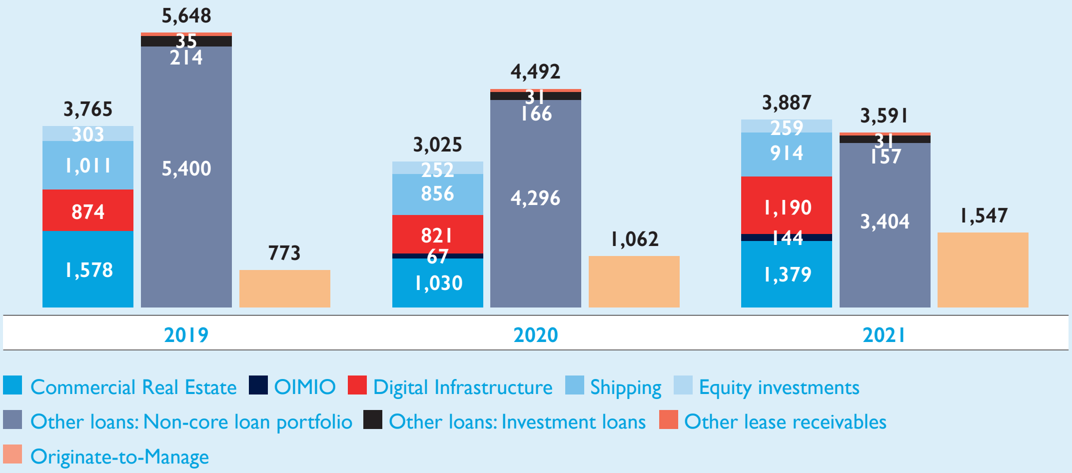
in EUR millions	2021	2020
Net interest income	150	161
Net fee income	11	15
Investment income	84	6
Other income	(1)	(19)
Operating income	**244**	**163**
Other operating expenses	95	101
Regulatory charges and levies	-	-
Operating expenses	**95**	**101**
Net operating income	**149**	**61**
Impairments of financial and non financial assets	39	126
Profit before tax	**110**	**(64)**
Tax	10	(16)
Profit after tax	**100**	**(49)**

Corporate loan portfolio spreads above base



Corporate client assets

in EUR millions



Performance Treasury & Group Functions

- 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.
- Throughout 2021, Treasury continued to maintain elevated liquidity buffers to address the on-going uncertainties as well as to ensure sufficient funds were available for the settlement of the Finqus transaction. Consequently, net interest income was negatively impacted, as additional cash balances come at a significant cost in the continued low interest rate environment.
- The positive other income position mainly relates to positive results on repurchased funding and positive net results from hedge accounting. Additionally, it includes the positive fair value development on investment property, consisting of those parts of the office building in The Hague that are rented out to third parties.

Income statement Treasury & Group Functions

in EUR millions	2021	2020
Net interest income	58	78
Net fee income	-	-
Investment income	-	1
Other income	9	(10)
Operating income	**67**	**68**
Other operating expenses	41	27
Regulatory charges and levies	5	6
Operating expenses	**46**	**33**
Net operating income	**21**	**35**
Impairments of financial and non financial assets	(1)	2
Profit before tax	**21**	**34**
Tax	3	(6)
Profit after tax	**19**	**40**

SUSTAINABILITY

At NIBC Bank, we believe it is our responsibility to be a sustainable business for the benefit of future generations. We are convinced that as a business that takes its social and environmental responsibilities seriously, we are better able to manage our risks. Sustainability and innovation are themes which will lead to promising opportunities in our markets. Additionally, as a financial services provider, we are well aware of the enormous responsibility we have in helping to ensure a resilient financial system and maintain trust in our industry.

Our day-to-day business decisions and interactions with clients are guided by established principles and policies set out in our *Code of Conduct, Business Principles*, *Corporate Values*, *Compliance Framework* and *Sustainability Framework*. These documents are available on our website. For many years, we have steadily developed our sustainability agenda in close consultation with our stakeholders.

Sustainability Highlights

IFLR Structured Finance Deal of the Year - North Westerly VI ESG CLO
The North Westerly VI CLO continued to receive praise as it was awarded IFLR Structured Finance Deal of the Year in April and provided an example which was highlighted by UN PRI as best practice in a publication in May. NIBC also launched the North Westerly VII ESG CLO, the latest offering in our fast growing ESG CLO program.

NIBC green bond
In September NIBC launched an EUR 750 mln green senior preferred issuance, our first green debt issuance under our new Green Bond Framework. The issuance was well-received in the market and broadened NIBC's investor base, attracting additional responsible debt investors to NIBC.

Energy efficient real estate
Energy efficiency of NIBC's retail and commercial real estate portfolios is strengthening. At year end 2021, about 18% of NIBC's retail mortgage exposures and 50% of NIBC's commercial real estate exposures achieved energy label A or higher. Overall more than 60% of real estate on NIBC's balance sheet has achieved an energy label or EPC equivalent of C or higher.

Sustainability-linked infrastructure
Client and investor interest in sustainability is increasing. During 2021 approximately one third of new origination by NIBC's infrastructure unit involved "sustainability-linked" financing structures. Key performance indicators which relate client or asset sustainability performance to margin ratchets, promoting improved sustainability performance.

Performance indicators

Non-financial key figures

	2021	2020	2019
NIBC Direct customer survey score - Mortgages	8.1	8.0	8.0
NIBC Direct customer survey score - Savings	7.6	7.9	7.8
NPS score corporate lending clients	+59%	+30%	+47%
% of new corporate loans screened against sustainability policy	100%	100%	100%
Number of new corporate clients with increased sustainability risk assessment	21	14	10
Fines or sanctions for non-compliance with laws and regulations	0	0	0
Total number of FTEs end of financial period	637	644	667
Male/female ratio	65%/35%	67%/33%	67%/33%
Male/female ratio top management	77%/23%	83%/17%	85%/15%
Training expenses per employee (EUR)	2,773	1,882	3,504
Absenteeism (trend total)	2.2%	1.6%	2.0%
Employee turnover (employees started)	16.1%	13.2%	20.6%
Employee turnover (employees left)	17.6%	16.9%	18.6%

Emissions

	2021	Units
Estimated Emissions		
Scope 1: direct emissions - energy	169	tCO2e
Scope 2: indirect emissions- purchased electricity	0	tCO2e
Scope 3: other indirect emissions	4,536,629	tCO2e
Paper, business travel, waste, other[1]	2,265	tCO2e
Financings & investments[2]	4,534,364	tCO2e
Total Emissions	4,536,798	tCO2e
Emissions intensity		
Intensity per mln Balance Sheet	200	tCO2e/mln
Resource Consumption		
Renewable electricity	2,606,899	kWh
Gas	89,382	m3
Water (municipal mains)	1,669	m3

1 2020 total. 2021 Data collection continuing.
2 Estimated financed emissions. Proxy sources are used. PCAF methodologies applied.

ESG ratings

	Rating
Provider	
ISS	C+/Prime
Sustainalytics	23.4, medium risk
RepRisk	AAA
MSCI	AA

KPIs pursuant to Article 10 of Article 8 Delegated Act (EU) 2020/852 (EU Taxonomy)

Mandatory Disclosure in EUR millions Article 10		Total	Taxonomy Eligible	Taxonomy Non-eligible	% coverage
2a	Total Assets	22,658	11,495	11,163	100%
	of which trading portfolio and on-demand NFRD interbank loans	148	-	148	1%
	of "Other" Debt and other assets	989	222	767	4%
	of which exposure to NFRD companies - loans	49		49	
	of which exposure to retail clients	11,273	11,273	-	50%
2b	Total exposure to central governments, central banks and supranational issuers	1,793	-	1,793	8%
	Total exposure to derivatives	334		334	1%
2c	Total on-demand non-NFRD interbank loans	673		673	
	Total exposure to non-NFRD companies-loans	6,495		6,495	
	Total exposure to non-NFRD companies - mezzanine equity	237		237	
	Total exposure to non-NFRD retail clients	667		667	

Voluntary Disclosure in EUR millions Article 10		Total	Taxonomy Eligible	Taxonomy Non-eligible	% coverage
2a	Total Assets	22,658	14,433	8,226	100%
	of which trading portfolio and on-demand NFRD interbank loans	148	-	148	1%
	of "Other" Debt and other assets	989	222	767	4%
	of which exposure to NFRD companies - loans	49	8	41	0%
	of which exposure to retail clients	11,273	11,273	-	50%
2b	Total exposure to central governments, central banks and supranational issuers	1,793	-	1,793	
	Total exposure to derivatives	334		334	1%
2c	Total on-demand non-NFRD interbank loans	673	-	673	3%
	Total exposure to non-NFRD companies-loans	6,495	2,236	4,259	29%
	Total exposure to non-NFRD companies - mezzanine equity	237	26	211	1%
	Total exposure to non-NFRD retail clients	667	667	-	3%

This disclosure is NIBC Bank's first EU Taxonomy eligibility reporting and should serve to help us prepare for our future Taxonomy alignment disclosures. For comparability in reporting we are voluntarily using the Annexes provided in the Article 8 disclosures Delegated Act to guide our reporting to the extent possible. This disclosure is based on a granular analysis of the balance sheet data and attributes recorded in NIBC systems as of 31 December 2021.

Intercompany activities are designated as non-NFRD. We have designated retail mortgage activities (NACE activity L68) where energy labels are available to be Taxonomy eligible and have included these as part of the mandatory reporting disclosure. For corporate banking activities, we have determined NFRD companies based on the company's previous year's reporting and current NFRD criteria.

Within the mandatory reporting, component we have determined 51% of our balance sheet to be taxonomy-eligible and 49% to be non-eligible. NIBC has designated an activity as eligible under the EU Taxonomy if it is included in the list of activities covered by the Taxonomy based on our own judgement and the NACE records in our systems. For clarity this is irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts. The activities are designated as non-eligible if they are not described in the delegated act. The majority of NIBC corporate banking activities are either asset-based or the activity being financed is clear.

For additional transparency to stakeholders, we have also voluntarily reported estimations to the best of our ability for the remainder of our balance sheet. Non-NFRD retail clients are those for which NIBC has not yet established the energy-labels. Non-NFRD interbank loans are related to counterparties headquartered outside of the EU. One challenge is that the majority of NIBC's activities involve companies which do not report under NFRD and also may not meet the expected thresholds of the upcoming *Corporate Sustainability Reporting Directive* (**CSRD**). Collecting data will be an ongoing challenge for NIBC, but it does not necessarily mean that these exposures are not Taxonomy-aligned.

Looking ahead, we expect our reported totals will evolve based on our business strategy as displayed in Focus & Accelerate, any changes to the delegated acts and as data available to NIBC evolves. Regulatory compliance, including compliance with Regulation (EU) 2020/852, is part of our license to operate.

The Taxonomy and its criteria provide a lens through which we can view our Focus and Accelerate strategy and identify additional opportunities. For example the Taxonomy allows only the top 15% of retail mortgages in the Dutch market in terms of energy efficiency can be considered Taxonomy aligned at any one time. Transition and adaptation actions will be as important and a larger market share as activities which are considered fully aligned. NIBC will continue its efforts to collect data and engage with clients or counterparties, prioritizing our most material portfolios and exposures. In the future we intend to disclose the extent to which these exposures are Taxonomy-aligned.

NIBC will continue to engage with clients and other stakeholders to promote transparency in a manner aligned with the Taxonomy, other regulatory disclosure requirements and public expectations. We are committed to continue promote sustainability, human rights and environmental awareness among our clients, suppliers and other stakeholders. We will also continue to refine our internal systems, design of of financial products, policies and processes to continue to facilitate our compliance with these evolving requirements.

Emissions Estimates

NIBC's emissions estimates are based on standard calculation and attribution methods. Our operational emissions (scope 1, 2 and non-financed scope 3 emissions) utilise Climate Neutral Group's CO2 calculator in order to ensure we are using factors comparable with other Dutch organisations for each type of emission. Scope 3 estimated financed emissions are based on *Partnership for Carbon Accounting Financials* (**PCAF**) methods for calculating these figures.

For retail exposures, we have used standardised factors per energy label and building type. The quality level assigned by PCAF to these factors is level 3, on a scale of 1 to 5 (5 being highest). For commercial real estate exposures used standardised factors per energy label, building type and size. The quality level is 4. In cases where the energy label was unknown or not yet assigned, we have applied a precautionary approach and applied the highest factors. For other asset classes we have used factors available for listed corporates of the same sector. The quality level is 4 to 5 depending on the activity.

Over time we expect that our emissions estimates related to corporate banking asset classes will increasingly be sourced from our clients, reducing our current reliance on proxy factors. We are collaborating with peer institutions to also improve the quality of emission estimates for retail exposures.

Sustainable Business Model

Sustainability is good business. Sustainability is integral to NIBC's overall business model and positioned towards the top of NIBC's strategy architecture. We aim to create long-term environmental and social value as well as financial value in a fast-changing banking environment. While we manage our sustainability and climate risks, we are also taking steps to pursue sustainable business opportunities in the asset classes where we are active.

The corporate sectors and activities which NIBC is pursuing reflect our ambition to accelerate growth, long-term societal needs, NIBC's sustainability priorities, and medium to long term risks. For example, NIBC Bank's mortgage and savings offerings and three corporate focus asset classes (commercial real estate, infrastructure & renewables, and shipping), are activities which will be needed today as well as after 2050 and therefore need to transition to net zero aligned to EU and Paris Agreement targets. NIBC's award-winning North Westerly ESG CLO program is bringing investment to private companies and providing opportunities for responsible investors.

We acknowledge that the activities which we finance could also have negative impacts if they are not (well)managed as included in our assessments from previous years. For example, energy inefficiencies related to the built environment or excessive greenhouse gas emissions related to the shipping sector. Sustainability impacts are among the factor considered by NIBC in its strategic choices, its product offerings and in its financings. Importantly each of the activities financed by NIBC has or is expected to have the ability to transition before 2050 and each will be necessary to meet societal needs before and well beyond 2050.

Several UN SDGs are prioritised within our approach. These SDGs include Clean Energy (SDG7),Economic Growth (SDG8), Industry & Innovation (SDG9), Sustainable Communities (SDG11), and Responsible Consumption and Production (SDG12). By focusing on these SDGs, we believe we will also continue to contribute towards several other goals including Climate Action (SDG13), Gender Equality (SDG5) and Good Health (SDG3). NIBC has embedded the SDGs in our Green Bond Framework by aligning the eligible categories to the targets which underpin the 17 SDGs. This allows us to provide investors a quantitative impact assessment of the contribution towards the goals.

We are proud to have received strong sustainability ratings and appreciate the recognition we have from many of the main global sustainability rating providers. Our target is to maintain our position in the top quartile among our peers. We listen carefully to any feedback NIBC receives during rating reviews to improve our transparency and refine our sustainability strategy, policies and processes.

Governance & Management of Sustainability aspects

NIBC's sustainability governance revolves around a system of checks and balances which ensures stakeholder perspectives are taken into account in our decision-making processes. We manage the sustainability impact of our financings through our Sustainability Framework, which can be found in the Sustainability section on our website. Our Sustainability Framework describes governance, implementation and the roles and responsibilities within our organisation with regard to all sustainability risks. For information regarding NIBC's overarching Risk Management approach, please refer to the Risk Management paragraph.

NIBC's Managing Board is ultimately responsible for all non financial matters. *Executive Committee* (**ExCo**) members discuss and advise on sustainability strategy, material topics, targets, planning and budget. The ExCo is also responsible for policies that impact NIBC's culture and ethics, such as the Code of Conduct. Any significant updates to the compliance or sustainability frameworks and their underlying policies are reviewed and approved by NIBC's *Risk Management Committee* (**RMC**). Our approach is overseen by NIBC's *Supervisory Board* as part of their role in NIBC's two-tier board structure.

The NIBC sustainability agenda is led by a dedicated full-time senior Sustainability Officer who is responsible for catalysing sustainability and corporate social responsibility within the organisation. The officer is a member of NIBC's RLCC senior leadership team, the Retail risk team and actively participates in the *Regulatory Expert Network* (**REN**) and the country risk working group. He chairs our Green Bond working group. Sustainability matters are monitored and reported periodically to the ExCo and the RPCC, a sub-committee of NIBC's Supervisory Board.

Each business unit within NIBC is responsible for managing ESG risks and opportunities as part of their regular activities within NIBC's three line of defense operating model. For example, business units apply NIBC's compliance and sustainability policies in their client interactions, Facilities & Services manage NIBC's energy efficiency programme, and Human Resources are responsible for sustainability in our human resource activities. Processes, roles and responsibilities are defined to manage possible ESG risks and take a precautionary approach.

NIBC Bank shares its governance, compliance, sustainability approach with other subsidiaries within the NIBC Holding platform. They have adapted this to the scale and complexity of their businesses, product offering, geographic footprint and their operations and supply chain. Proportionality, reasonableness and common sense as described in international standards are applied given that yesqar is a fintech startup and Beequip is an enterprising scale-up. Furthermore each subsidiary has full access to peers within NIBC to advise on sustainability, compliance or any specific issues as their business grows and develops.

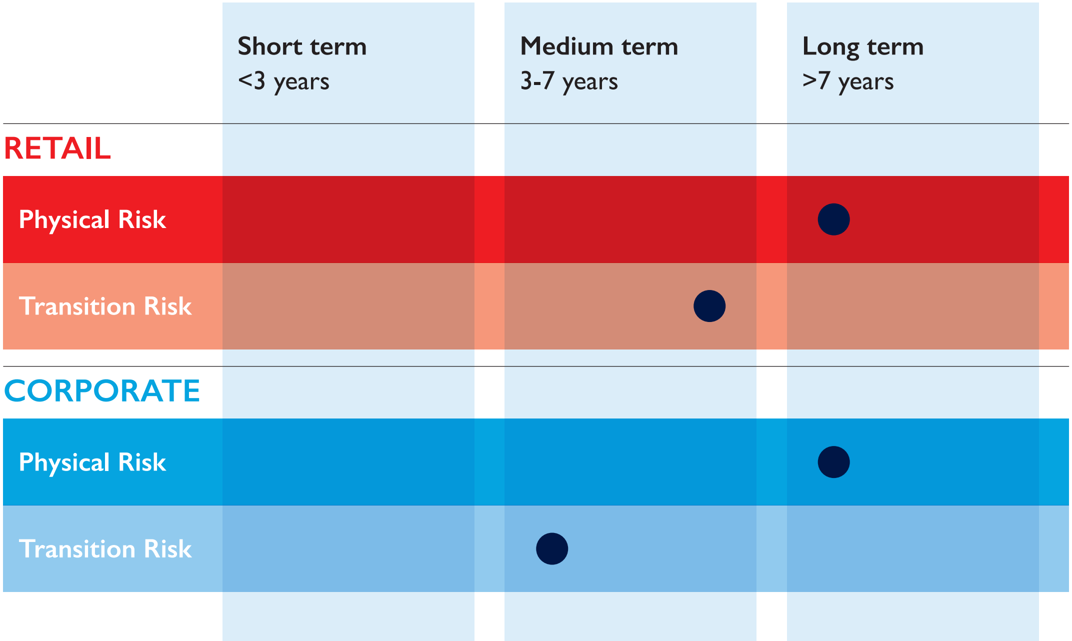
Principle environmental & social risks

NIBC views climate risks, environmental risks and other ESG as potential drivers of financial risk categories such as credit risk, market risk liquidity risk and operational risk. We define environmental risks to include climate, biodiversity and environmental risks related to our financings, operations and supply chain.

The main physical climate risks faced by NIBC's clients are likely related to flooding, drought and extreme weather due to rising global temperatures. We currently assess inland impacts in the Netherlands as more likely than any direct impacts from sea rise. If not properly mitigated, such impacts may include land subsidence. Within NIBC's portfolios, such risks are primarily related to our retail mortgage and commercial real estate businesses. Given the granularity of these assets NIBC has performed detailed analyses during 2021and assessed the level of flood risk for our real estate portfolios.

NIBC is preparing to run additional climate-related stress test scenarios over different time horizons across its portfolios aligned with TCFD recommendations. We already consider and assess aspects such as energy prices in its stress testing. We also consider certain physical climate risks among our business continuity risk scenarios.

Assessment of climate-related risk of our portfolios



Transition climate risks are increasingly visible. Rising energy prices during 2021 have adversely impacted the communities we serve and are early signs of a possible disruptive energy transition. The risk is rising that an unjust energy transition may disproportionately impact those who can least afford it. We view this both as a transitional climate risk and as a social risk. Biodiversity risks are rising as global warming steadily increases along with its increasingly visible impacts. Within the asset classes where NIBC is active, we expect that mitigation efforts will continue along sector and geographic lines. For example in shipping, hull cleaning and ballast water treatment systems are utilised by NIBC clients to prevent potential damage from the movement of invasive species between ecosystems.

NIBC defines social risks to include human rights and labour risks related to our financings, operations and supply chain. Human rights are central to sustainable development, poverty alleviation and one of the keys to building financial resilience. We expect clients and suppliers to have in place human rights policies and processes appropriate to their size, operating environment and value chain.

Potential COVID-19 variants remains a material social risk which may impact NIBC and its our stakeholders. The pandemic has influenced daily life, the way we engage and communicate, and global supply chains. Throughout 2021, NIBC restricted its office spaces and facilitated flexible working for employees and most stakeholder engagements occurred virtually.

While in a perfect world a just energy transition would be seamless, certain economic dislocations are possible in the medium term which may materialise in the form of social impacts. For example job losses in local communities related to the transition from fossil fuels to renewables. Financial resilience is a theme which will continue to rise in importance.

Labour conditions and worker safety at lower tiers of corporate supply chains are a salient human rights risk for NIBC. Full transparency into supply chains beyond the first tier level continues to be a significant and practical challenge for mid-sized and smaller companies in part due to capacity constraints. There is a tendency among IT and services companies to seemingly rely on contracts and policies without further due diligence or accounting for their full value chains.

Policies & Due Diligence

NIBC's *Sustainability Policy* and our *Environment & Climate Policy* set our main expectations in regard to environmental performance of clients and suppliers. Our Sustainability Policy and *Human Rights Policy* communicate our social expectations. Our approach applies the principle of double materiality. Our approach within certain sectors and activities is further elaborated in sustainability sector policies. Together these policies form a comprehensive and integrated approach for NIBC throughout its business.

These policies are reviewed annually and will continue to be developed and refined based on the ESG risks in our business activities, operations and value chains. Remuneration policies for our employees, managing board and supervisory board include sustainability aspects.

At the heart of NIBC's policy commitments are internationally recognised conventions, standards and best practices. NIBC believes that respect for human rights is a basic responsibility, towards our own employees, as well as towards those people who are affected directly or indirectly by our actions. Core social commitments include the *Universal Declaration of Human Rights*, *OECD Guidelines for Multinational Enterprises*, *ILO standards and core conventions* and the *UN Guiding Principles for Business and Human Rights* (**UNGPs**).

Our environmental standards consider the *Paris Agreement to the United Nations Framework Convention on Climate Change*, the *Convention on Biological Diversity and International Union for Conservation of Nature (IUCN)* standards. NIBC has set an ambition to achieve net zero emissions in its operations and financings before 2050 aligned to the 1.5 degree scenario of the Paris Agreement. And a 55% reduction by 2030 aligned to EU policy ambitions. These policies also commit NIBC to avoid activities in sensitive habitats such as marine protected areas, high conservation forests and other areas of high conservation value.

NIBC's sustainability policies exclude financing or investing in certain activities such as weapons, coal mining & power generation, and tobacco and certain other vices. Any decision to exclude an activity involves a careful consideration of the impacts on and risks to people and planet, our business model and our ability to uphold the commitment. In November, we added an exclusion of new financings of fossil fuel exploration and production to our Sustainability and Environment policies.

NIBC is one of 127 financial institutions in 38 countries worldwide which have officially adopted the *Equator Principles* (**EPs**). The EPs are a risk management framework for determining, assessing and managing environmental and human rights risks in project finance transactions. Looking ahead we may reconsider realigning our our ESG commitments to support our forward-looking strategy. For example, NIBC intends to apply to join the *UN Principles for Responsible Investment* (**UN PRI**).

NIBC expects its vendors and suppliers to act in accordance with regulations, international conventions, standards and guidelines on human rights and the environment in their own operations and supply chains including subcontractors Our *Supplier Code of Conduct* embedded in our standard outsourcing agreement embeds commitments to international human rights standards including the OECD Guidelines, and UNGPs in their operations and supply chains. It also embeds a commitment to act on emissions and meet the net zero target of the Paris Agreement.

Anti-corruption

Compliance is an important part of good corporate governance. NIBC is committed to comply with relevant laws, regulations and professional standards in each of the markets in which it operates and protecting the integrity of the financial system.

As a long-standing signatory to the UN Global Compact, NIBC operates a *Compliance Framework* to ensure appropriate policies and processes in place to prevent corruption in all of its forms. Our *Anti-Bribery and Corruption Policy*, *Fraud Prevention Policy*, and *Conflicts of Interest Policy* form a comprehensive approach tailored to our operating environment.

Although NIBC does not offer current accounts, we maintain a strong *Anti-Money Laundering Policy* and remain alert to the possibility. NIBC's staff is obliged to report actual or suspected fraud or misconduct. We do not accept nor tolerate any instance of fraud, bribery or corruption. Genuine concerns are handed fairly and investigated appropriately. We view non-compliance with NIBC's ethics & conduct, compliance or sustainability policies as a risk. Concerns may be reported in accordance with our *Whistleblowing Policy* without fear of reprisal. As indicated in our non-financial key figures, no material fines or sanctions were incurred by NIBC during 2021, an indication that integrity is at a high level.

To facilitate grievances and possible remedy, NIBC maintains an external complaint mechanism on our corporate website which is available to all stakeholders and their legitimate representatives. NIBC participates where appropriate in external complaints processes. Our procedures are guided by principles laid out in the OECD Guidelines and UNGPs.

In our own operations, NIBC has additional policies including our *Code of Conduct*, *Diversity Policy*, and *Employee Remuneration Policy.* These policies commit NIBC to provide a safe workplace, ensure gender pay equality and a culture of respect among our increasingly diverse workforce. Additional information in regard to diversity & inclusion is described in the Our People section of this report.

Responsible marketing practices

Our Sustainability Policy also guides responsible retail lending and marketing practices. NIBC is committed to offer products and services in a truthful, responsible and fair manner. We avoid predatory retail lending or other practices that might impose unfair and abusive loan terms on borrowers or be perceived as mis-selling of products.

Signing a mortgage loan contract is often the largest financial commitment made by a family. Our internal policies establish requirements to assess affordability and borrowers creditworthiness before granting them a mortgage loan. NIBC's retail activities, include internet saving, internet deposits and residential mortgages, RMBS, and buy-to-let activities.

Information Security & data protection

When confidential or personal information belongs to a client and is entrusted to NIBC, we handle it with the utmost care. Cybercrime and loss of data more generally is a risk for NIBC as well as for all of our financial sector peers. With the increase of working from home this has further emphasised the relevance of sound systems and procedures. To ensure NIBC's cybersecurity measures are meeting all necessary requirements to provide a safe working environment we continue to focus on information security including the carrying out of tests and continuously assess our information security and data protection measures.

We investigate every identified data breach made known to us and report these in a timely manner to data subjects and to our data protection regulators when required. We have policies in place that require staff to ensure that we do not leave confidential or personal data unattended such as a clear desk policy, information security policies, and additional security controls. We facilitate the use of secure communication channels wherever possible and require staff to adhere to security considerations for sensitive or confidential information. Our approach is detailed in our *Corporate Information Security Policy* and our *Data Protection Policy*. We have a *Record Keeping Policy* in place to ensure we adhere to legal requirements with respect to the retention of data.

Information security, data protection, and cybersecurity are essential to NIBC's business continuity management. We manage information according to the need-to-know principle and establish controls through segregation of duties. Our approach is also detailed in our *Corporate Information Security Policy* and our *Data Protection Policy.*

We have a *Record Keeping and Retention Policy* in place to ensure we adhere to legal requirements with respect to the retention of data. NIBC invests in cybersecurity safeguards and has policies and controls in place to protect our clients and their data. We continuously test and monitor systems for vulnerabilities and to prevent attacks. When data breaches are detected, those people who are impacted are notified in a timely manner.

Due Diligence

To enable a proper assessment of the risks involved in a business relationship, NIBC needs insight into clients' backgrounds, their business and other activities. It is also essential to know why clients use specific products and where their funds or wealth comes from. NIBC's *Client Due Diligence (CDD)* processes aims to safeguard NIBC and the financial markets from integrity risks and helps to prevent money laundering, terrorist financing and reputational risks.

Our *Sustainability Framework* commits NIBC to performing ESG due diligence and assessments of relevant and material social risks related to the activities we finance. This Framework operates alongside and within our overall *Risk Management Framework* which guides our approach across the enterprise.

We utilise an integrated ESG assessment toolkit to assess the commitment, capacity and track-record of companies in regard to human rights and labour standards., climate biodiversity and environmental aspects, and corporate governance. As is indicated in our non-financial key figures, an ESG assessment is in the client file for 100% of new corporate loans. The toolkit is supplemented by compliance processes and *Know Your Client* (**KYC**) processes and controls. Additional evidencing and monitoring efforts including results from tools which we are continuing to develop within NIBC's Innovation Lab.

Our approach towards ESG due diligence and monitoring is influenced the companies and activities that we finance, their operating context, and their value chains. Due diligence is conducted in a manner proportional to the size, nature and context of operations of companies and suppliers. Our approach towards human rights due diligence and environmental due diligence will continue to be refined in order that NIBC can continue to continuously improve our ability to identify, manage and mitigate ESG risks in the value chains where we are active.

In the case of a human rights allegation or environmental incident, an updated sustainability assessment should be performed to determine the severity and impact and to record the actions which are being taken by the company.

New products and significant changes to existing products are assessed for potential ESG risks. Retail sustainability risks are managed at a portfolio level. Due diligence is performed on suppliers as part of NIBC's Know Your Supplier (**KYS**) programme to ensure that our supplier and vendors meet NIBC's policy expectations and regulatory requirements.

Outcomes and next steps

Climate Resilience

Although floods impacted the Netherlands and Germany during 2021 and were widely reported in media, there were no material direct financial impacts on NIBC's portfolios. Water management systems across the Netherlands and Dutch expertise proved largely resilient and helped to manage the interaction of the built environment and water.

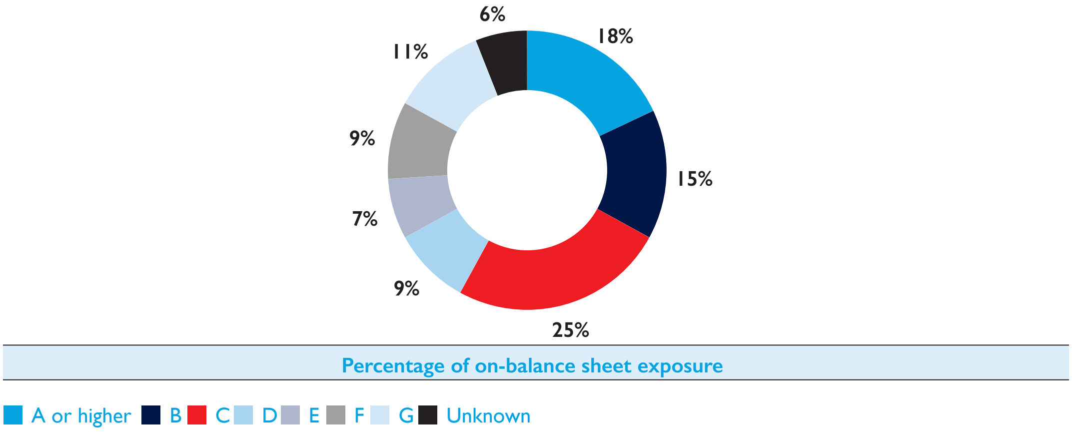
In November, NIBC announced changes to its business model. These changes were the result of a strategic review by our Executive Committee and Supervisory Board and aims to further improve the competitiveness, financial performance and sustainability performance of NIBC. This is further described in section Vision & Strategy.

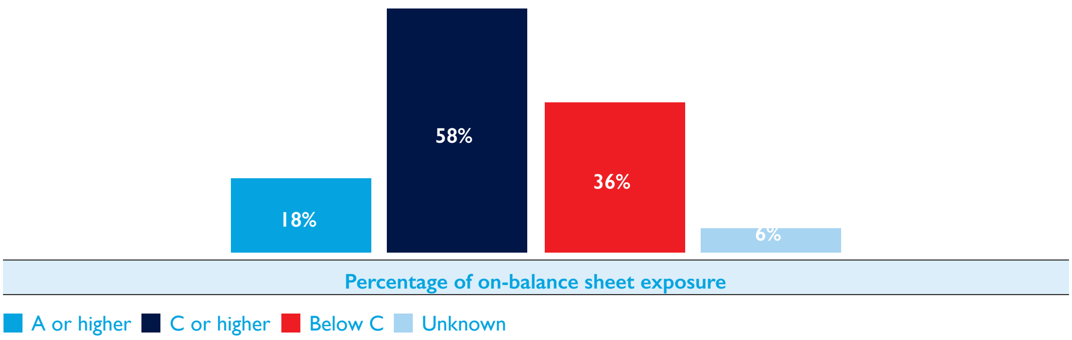
From a climate perspective this strategic change was significant. Among the decisions, NIBC's offshore fossil energy financings are being discontinued. Youth and civil society stakeholders have expressed that this is the most important action a bank can take on their pathway to net zero. Furthermore we have also revised our sustainability and environmental policies in November to exclude any new financings of fossil energy exploration and production. This strategic choice likely reduces the medium to long term risks of stranded fossil assets, fossil-related litigation or other negative reputational impacts.

As of year end 2021 offshore fossil energy exposures totalled EUR 297 mln, a reduction of 77% since 2015 (EUR 1.28 bln). NIBC has been substantially reducing its Offshore Energy exposures for a number of years and remaining fossil energy balance sheet exposures will continue to be prudently reduced. Our shareholders and other stakeholders are supportive of these efforts.

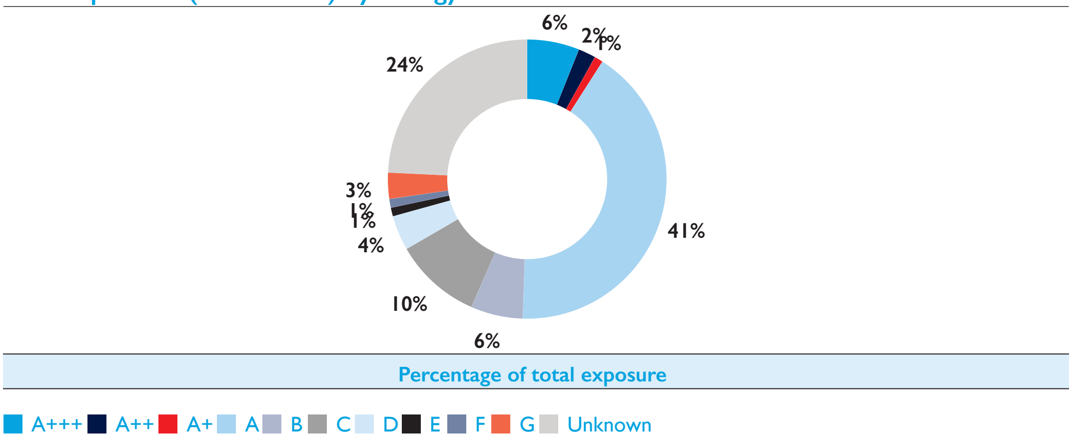
During 2021 "sustainability-linked" financings continued to grow. About one-third of new infrastructure deals used financing structures which linked sustainability performance indicators to the interest margin. Typically both environmental and human rights indicators were used. These types of structures are increasingly used to influence improved sustainability performance.

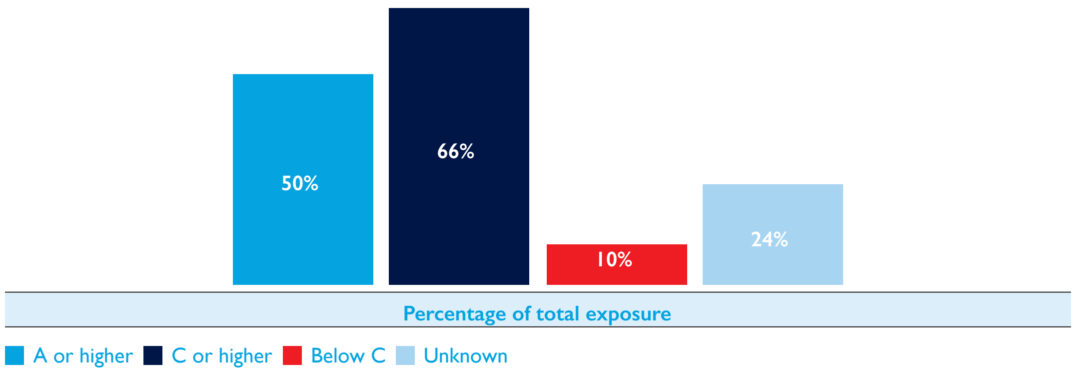
Retail exposures by Energy Label





CRE exposures (incl OIMIO) by Energy Label





We continue to make significant progress in regard to the enabling the greening of Dutch residential and commercial real estate. As of year end 2021, more than 60% of our total real estate portfolio is estimated to have an energy label of EPC C or higher. Unknown labels are also a part of the normal course of business. In these cases, they are usually either new to the portfolio (labels have not entered our collateral systems), haven't received a label yet (i.e transformations), or are ineligible for an energy label.

Looking ahead, green roofs, blue-green roofs and rainwater capture systems could be among the possible climate adaptation measures which clients choose to take. Green roofs support local pollinators and biodiversity, can reduce the localised physical risk of land subsidence, increase energy efficiency and may preserve and increase the long-term value of real estate.

Measurement of climate risks and other ESG-related risks is at an early stage. Developments continue within NIBC and across the financial sector to standardise climate metrics. There are many data gaps but also good progress has been made. NIBC is an active member of the Platform for Carbon Accounting Financials (PCAF), Energy Efficient Mortgages (EEM-NL) and a signatory of the Dutch Climate Agreement (*Klimaat Akkord*).

To support our strategic ambition, build climate resilience in our business and achieve our emission reduction targets, additional actions were taken during 2021 to improve ESG data collection and measurement capabilities and strengthen transparency. Our current scope 3 financed emissions estimates are largely based on proxy sources rather than direct measurements. Looking ahead, we aim to integrate these new more granular sources. This may result in an increase in our scope 3 totals in future years.

Carbon neutral own operations

For any scope 1 & 2 emissions that we have not been able to eliminate, we purchase WWF gold-standard carbon offsets in order to be carbon neutral. NIBC continues to source 100% renewable electricity in 2021 as we have since 2015.

Total scope 1 & 2 emissions declined by 11% in 2021 compared to 2020. This is primarily due to a reduced average carbon factor for the gas network. NIBC's use of gas for heating and cooling increased by 26,556 m3 compared to 2020. At the same time use of gas for heating and cooling in NIBC's operations has declined by 40% since 2012.

Culture and business ethics

All staff are required to complete mandatory trainings on compliance, conduct, ethics and whistleblowing each year and did so during 2021. New employees of NIBC were informed of our approach to sustainability as part of introduction sessions. Our CEO led these sessions, setting a tone from the top which emphasises innovation, sustainability, ethical business conduct and a safe and open corporate culture to position NIBC for growth. In additional ceremonies led by our CEO and CRO, new employees were asked to sign a bankers oath on a mirror which is publicly visible in the lobby of NIBC's headquarters.

NIBC continues to monitor the diversity & inclusion measures and targets which will help us to deliver results. Within the pillars inflow, career, outflow, and awareness we set several targets and measures. Additional details regarding our approach to diversity, gender pay equality, health and safety of employees are reported in the Our People section and in our Sustainability Report.

ESG due diligence and assessments were performed by NIBC for 100% of new corporate loans, an indicator that we are living up to our policy commitments. Our engagements resulted in an increasing number of NIBC's corporate clients taking actions to strengthen their Codes of Conduct, sustainability policies and to become more transparent in their social commitments. During 2021 one salient human rights impact was reported related to NIBC's operations, financings and/or supply chain. We continue to be alert to identify and address salient human rights impacts and to promote stronger ESG practices in our operations and among our clients and suppliers.

Civil society stakeholders expressed that the efforts of NIBC and peer banks involved in *Responsible Ship Recycling Standards* (**RSRS**) are having a positive influence on the shipping value chain. 100% of NIBC's new financings in shipping included RSRS commitments meeting our target. More than 90% of NIBC's shipping portfolio at year-end 2021 includes RSRS commitments.

During 2021, NIBC made no direct political contributions (2020: 0).and did not have have any direct lobbying expenses (2020: 0). Although NIBC is committed to avoid any direct lobbying, we participate in sustainability and ESG risk working groups at the Dutch Banking Association (NVB) and the European Banking Federation (EBF). NIBC currently chairs the ESG Risk taskforce group at the NVB. Through these industry fora, we continue to provide feedback on the many regulatory developments and contribute to efforts to strengthen transparency, comparability and consistency of ESG reporting.

Regulatory Compliance

Preparations for the implementation of ESG-related regulatory requirements have been ongoing and are expected to continue for the foreseeable future. NIBC continued to monitor ESG regulatory developments during 2021, focusing on the markets in which we operate. Developments were reported, gaps identified, and actions taken supported by NIBC's REN process. We were represented in risk and sustainability expert pools at both the NVB and the EBF and involved in consultations during 2021 related to the EU Taxonomy, SFDR, CSRD and the banking package.

During 2021 ESG education sessions were held for NIBC's ExCo and Supervisory Board members. In certain cases external experts were engaged to provide an external perspective on the latest ESG regulatory developments, supervisory expectations regarding oversight and emerging best practices and trends.

We recognise that our approach leaves room for improvement. Internal ESG processes and controls need to continue to be further developed in order to meet evolving public expectations and to continue to comply with regulatory changes. We expect to structurally embed climate risk in our risk appetite framework during 2022. We view climate and other ESG-related risks as drivers of the existing risk categories such as credit risk, market risk, operational risk in our risk taxonomy. The transmission channels are complex, therefore we will continue to refine our approach as the data and our understanding develop.

Tax

NIBC proactively communicates with tax authorities, evidenced by its ongoing agreement on horizontal supervision with the Dutch tax authorities. NIBC has an administrative organisation, procedures and internal controls, to meet our tax compliance requirements. We consider tax risk in our decision making with regard to clients, transactions and investments. Our aim is to avoid possible risks of tax base erosion and profit-shifting activities.

NIBC's Tax Position Statement on our corporate website summarises our approach. Our Statement is reviewed periodically in order to keep it up to date and in line with all relevant developments in rules and regulations, changes within the organisation and societal demands. We do not engage in transactions without economic substance or which are exclusively aimed at safekeeping or realising tax benefits for ourselves or our clients.

Data privacy & security

Third parties such as vendors were reviewed and monitored for adherence to standards such as ISO 27001. NIBC has a dedicated Corporate Information Security Officer supported by an internal Information Security Control Framework to ensure appropriate measures and controls are in place. Vulnerability assessments and security audits were performed of NIBC's systems and any practices affecting user data.

In 2021, 45 information security incidents occurred of which none resulted in a material impact for NIBC and/or its clients. All employees completed mandatory information security and data privacy trainings during 2021. Simulation exercises were also held to inform employees of their responsibilities and to raise awareness

Whilst no legal consequences were identified, we take all data breaches – not just those which are reportable externally – very seriously. We analysed each one for lessons to be learned and took appropriate corrective actions. Often these were in the nature of reinforcing employee awareness of the need for constant attention to protecting client confidentiality and privacy. Additional adhoc training was carried out where necessary to supplement our regular awareness programme, which is mandatory for all employees.

Supply chain & business partners

NIBC's strategic business partners and suppliers are largely professional services organisations providing legal, audit, communications, technology, and other specialised services. These partners help NIBC to serve the needs of our stakeholders.

Technology services are provided by Cegeka. Our mortgage business back office is outsourced to Stater. Independent mortgage brokers such as De Hypotheker are used in the origination of mortgages. Professional services are provided by parties such as EY which provides auditing services and KPMG which provides consultancy services. Cerrix provides a SAAS solution for operational risk management. Further business partners include Sopra, Fiducia, and Collectric among others. Our partners vary in size, but each provides their services from operating locations based in the same countries as NIBC.

During 2021a more extensive review of material suppliers was conducted in which we reviewed each material suppliers information security, data protection, sustainability and conduct policies. One outcome was that most signed NIBC's revised Supplier Code of Conduct which includes commitments to the OECD Guidelines, UNGPs, and a commitment to take tangible actions to achieve net zero emissions before 2050. NIBC expects that all partners and suppliers are publicly transparent in regard to ESG. During 2021, several of our suppliers published codes of conduct, sustainability policies and/or targets for the first time as a result of their discussions with NIBC.

In our own operations, initiatives to reduce our footprint are proving beneficial. For example, led lighting, energy efficient glass, and use of energy-star certified equipment have helped NIBC to achieve efficiency and reduce operational costs. NIBC has reduced its use of paper by about 90% since 2010. The limited amount of paper we do use is recycled and/or FSC-certified.

Community engagement

NIBC wants to be a good corporate citizen by contributing to the well-being of the communities which we serve. We encourage our employees to volunteer their time and expertise to community projects and support their initiatives by matching the money they raise for good causes.

NIBC and our employees are active members in the communities that we serve. Although the pandemic affected in-personal activities, NIBC employees continued to find creative ways to continue to engage with our communities during 2021.

NIBC NGO Boulevard

In 2015, we launched the NIBC NGO Boulevard, a unique initiative that makes modern office space and professional facilities available to good causes. Civil society organisations in the NIBC NGO Boulevard include Maatschappelijke Alliantie, Stichting Vitalis, SDG Charter and Schulhulpmaatje Den Haag. One focus area for all of these organisations and NIBC has been to contribute to Dutch efforts towards the SDGs through activities and initiatives.

Our interactions, joint initiatives and workshops, and other activities have contributed to increased awareness at NIBC staff of human rights and environmental risks and impacts. Daily engagement of NIBC employees with these organisations was severely disrupted during the pandemic. We look forward to returning to more normal cooperation post pandemic.

Preventing hunger

For several years, NIBC employees and board members have been involved in an initiative which aims to ensure no families across the Netherlands go hungry during the year-end holiday period. NIBC employees managed to pack food parcels for the holidays to support families which rely on the Dutch Foodbanks. Together with employees of other leading corporates such as Unilever, Mars, Shell, Dr Oetker and Upfield, holiday food parcels were prepared and distributed across the Netherlands.

Supporting vulnerable children

For the 10th year in a row, NIBC employees supported Stichting Vitalis in an annual holiday tradition at the bank. Vitalis is a professional non-profit organisation that supports vulnerable children so they can avoid intensive professional youth counselling programmes. NIBC employees individually purchased personalised holiday gifts for about 100 children while taking appropriate precautions in a specially designed event.

Financial education

Week van het Geld (Global Money Week) activities reappeared in 2021 after an unfortunate cancellation in the Netherlands and globally for the first time since 2010 due to the pandemic. Classes were held virtually as the event came back to life. Normally about 700 primary school children participate in this Bank "voor de Klas" programme with NIBC staff and ExCo members. We're hoping to be able to grow participation back to more normal levels in 2022 and post-pandemic.

RISK MANAGEMENT

In line with our busines strategy, NIBC is predominantly exposed to credit risk and investment risk, while NIBC aims to reduce our interest rate, currency, liquidity and operational risk to an acceptable level. The risks NIBC takes are measured and monitored against our risk appetite, ensuring that NIBC is capable of executing its business activities in line with its strategy. NIBC remains committed to having sufficient liquidity and being well capitalised while at the same time helping our clients while finding the appropriate balance between risk and reward.

Risk Governance

Three lines of defense

Our operations are structured along the three lines of defence risk management model. This implies that the first line of defence is within the commercial business units. They are accountable and responsible for day-to-day risk management activities such as managing each individual exposure on the balance sheet, with the exception of distressed assets at the corporate bank. Our second line of defence lies within the Risk, Legal, Compliance and *Corporate Social Resposibility* (**CSR**) departments. These departments monitor and evaluate risks versus the risk appetite framework. The second line of defence has an active advisory role in particular towards transactions and proposals. The third line of defence is the *Internal Audit* (**IA**) department. This department provides objective and independent assurance on the operations within the first and second lines of defence.

To support effective decision-making, the Managing Board has delegated decision-making authority regarding key risk management focus areas to a number of committees, amongst others:

- Engagement Committee is responsible for decision-making with regard to client engagement and conflicts of interest including assessment of the potential integrity risks when engaging with a client.
- Transaction Committee (TC) which has decision-making power with regards to credit transactions, assessment of credit proposals and the monitoring of credit related risks. The TC approves and monitors transaction proposals which cause NIBC to assume credit risk. Further, the TC decides on impairments and write-offs and reviews all larger exposures at least annually.

- Investment Committee (IC) has the delegated authority to decide on equity, mezzanine, subordinated, and other equity related financial products. The IC assesses new investment proposals and periodically determines the valuation of our equity portfolio.
- Strategic investment Committee has decision-making power on equity, mezzanine debt, subordinated debt and senior debt granted to new strategic participations and/or strategic investments.
- Risk Management Committee (RMC) decides on policies, measurement methods, monitoring, and controlling of all risk types. The role of the RMC is to safeguard our risk appetite by monitoring all risks NIBC is exposed to, thereby looking backwards as well as forwards.
- Asset & Liability Committee (ALCO) monitors and controls capital ratios, liquidity, earnings, interest rate risk and market risk. As ALCO is responsible for liquidity, as they also decide on funding plans and large funding transactions.
- Regulatory Change Committee which keeps central oversight of the implementation of new regulatory laws and regulations.

For a discussion on compliance, client privacy and data security, anti-fraud and anti-corruption and climate risk please see the Sustainability section of this Annual Report.

Risk Appetite framework

Our strategy towards risk management is translated into the risk appetite framework. This framework is based on six pillars, which are rolled out throughout the organisation and incorporated in our policies, procedures , limits and action plans. NIBC has used these pillars to reposition the bank and adjust the underlying business drivers focusing on smaller ticket sizes and a more granular portfolio.

Our six pillars:
1. Franchise: be a reliable and client-focused bank.
2. Solvency: be a credit-worthy partner for our clients and other stakeholders.
3. Profitability: aligned with business model and risk profile.
4. Liquidity & Funding: to have sufficient and appropriate liquidity and stable and diverse funding base at all times.
5. Asset quality: aligned with business objectives.
6. Non-financial: to maintain a solid licence to operate.

NIBC continuously monitors and evalutes the effectiveness of this framework and periodically update this based on market developments and our environment. Future iterations of the Risk Appetite framework will also include climate risk as a driver of traditional financial risks.

Overview of main risk types

in EUR millions	Main risk types	2021	2020
Mortgage loans	Credit risk / Interest rate risk	11,665	9,860
Corporate / investment loans	Credit risk	8,152	7,770
Lease receivables	Credit risk	31	31
Equity investments	Investment risk	259	252
Debt investments		953	1,003
Debt from financial institutions and corporate entities	Credit risk / Market risk	220	305
Securitisations	Credit risk / Market risk	733	698
Cash management	Credit risk	2,414	2,465
Derivatives[1]	Credit risk / Market risk	525	508
Funding	Liquidity risk	22,658	21,056
Total capital (based on full implementation of CRR)	Capital Adequacy risk	1,942	1,942

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

NIBC's risk approach entails that NIBC pursues credit risk and investment risk, while reducing our interest rate, currency, liquidity and operational risk to a level that is acceptable. For this reason the Risk Management chapter mainly focuses on assessing credit risk and investment risk. The risks NIBC takes are measured and monitored against our risk appetite, ensuring that NIBC is capable of executing its business activities in line with its strategy.

Credit risk (audited)

Credit risk is one of the risks inherent to our business model. By lending to our clients NIBC is exposed to the risk of the counterparty not being able to repay the loan. NIBC continuously monitors our clients' financial performance and take remedial action if NIBC believes the risk of a client defaulting on their obligation has increased. NIBC mitigates credit risk by placing emphasis on the collateral pledged to us in the transactions. In case a client defaults on its obligation, the option to collect and sell the collateral can be exercised as a last resort, thereby significantly reducing the amount of non-recoverable assets. Non-credit obligations fall under other risk types, such as market risk, and equity is subject to investment risk.

Figures may not always add up due to rounding. In presented tables where exposure is mentioned, a gross amount should be understood where exposure is drawn plus undrawn amounts. The Digital Infrastructure portfolio includes a small portion of other core infrastructure assets. Following NIBC's sharpened strategic focus, NIBC's non-core asset classes are grouped into Other Corporate client exposures throughout the credit risk paragraph. These non-core asset classes consist of Offshore Energy, Financial Sponsors & Leverage Finance, Fintech & Structured Finance, Legacy Infrastructure, Mobility and Mid-Market Corporates. Please note that the management overlay for Expected Credit Loss is not included in the tables unless explicitly stated. Please see Note 12 Impairments of financial and non-financial assets for futher information.

The following portfolios that contain credit risk have been identified:

- Mortgage loans;
- Corporate/Investment loans;
- Lease receivables;
- Debt Investments;
- Cash Management;
- Derivatives.

This credit risk pararaph, in its entirety, is an integral part of the Consolidated Annual Financial Statements and is covered by the Audit opinion.

Overview of credit quality measures

in EUR millions	2021 Corporate exposure	2021 Lease exposure	2021 Retail exposure[1]	2021 Total exposure		2020 Corporate exposure	2020 Lease Exposure	2020 Retail exposure	2020 Total exposure	
Defaulted exposure	346	31	121	498	2.5%	307	31	19	356	2.0%
Impaired exposure	386	31	121	538	2.7%	319	31	6	356	2.0%
Non-performing exposure	346	31	121	498	2.5%	307	31	19	356	2.0%
Forborne exposure	590	31	207	827	4.3%	455	31	118	603	3.4%

1 In 2021 we have adjusted the Definition of Default (DoD) for mortgages, resulting in an increase of the defaulted exposure and the percentages.

Credit quality measures by asset class

in EUR millions	2021 Non-performing exposure	2021 Impaired exposure	2021 Impairment coverage ratio[1]	2020 Non-performing exposure	2020 Impaired exposure	2020 Impairment coverage ratio[1]
Retail client exposures						
Mortgage loans	117	117	1.0%	13	6	18.8%
Buy-to-Let mortgages	4	4	0.0%	6	0	0.0%
Total retail client exposures	**121**	**121**	**1.0%**	**19**	**6**	**17.4%**
Corporate client exposures:						
Commercial Real Estate	58	58	23.9%	63	63	30.0%
Corporate Treasury	-	-	0.0%	-	-	0.0%
OIMIO	-	-	0.0%	-	-	0.0%
Digital Infrastructure	-	-	0.0%	-	-	0.0%
Shipping	36	36	32.9%	51	51	24.8%
yesqar	-	-	0.0%	-	-	0.0%
NIBC Investment Partners	20	20	31.7%	11	16	55.3%
Other	232[2]	272[3]	35.4%	182	189	39.3%
Total corporate client exposures	**346**	**386**	**33.3%**	**307**	**319**	**36.0%**
Lease exposures						
Leases	31	31	73.1%	31	31	46.4%
Total Lease exposures	**31**	**31**	**73.1%**	**31**	**31**	**46.4%**
Total exposures	**498**	**538**	**28.3%**	**356**	**356**	**36.5%**

1 Impairment coverage ratio includes IFRS 9 Stage 3 assets only.
2 2021 Exposures in category 'Other' consist of EUR 93 million Offshore Energy, EUR 64 million Financial Sponsors & Leverage Finance, EUR 55 million Fintech & Structured Finance and EUR 21 million Mid Market Corporates.
3 2021 Exposures in category 'Other' consist of EUR 126 million Offshore Energy, EUR 78 million Financial Sponsors & Leverage Finance, EUR 55 million Fintech & Structured Finance and EUR 14 million Mid Market Corporates.

Methodology for quantifying credit quality

NIBC applies an internally-developed methodology under the *Advanced Internal Ratings Based* (**AIRB**) approach for quantifying the credit quality of corporate and retail counterparties. The AIRB methodology for corporate counterparties was approved by NIBC's regulatory authority, the DNB, in 2008 as is also the case for the owner occupied residential mortgage loan portfolio (excluding BtL mortgages which uses the standardised approach). In 2019, NIBC received an increase for *Risk Weighted Assets* (**RWAs**) on corporate exposures from the DNB pending approval of eventual additional measures to address the model observations raised by DNB in its Internal Model Investigation report. This add-on is still in place with respect to the current models where new model developmentment is in process to adress DNB oberservations.

Corporate loan credit approval process

All approvals of individual credit proposals are granted after risk management has made a credit risk assessment and has analysed proposals by taking into consideration, among others, aggregate limits per industry segment and per individual counterparty. The total one obligor exposure and related exposure are also taken into account. Individual credit and transaction proposals are then approved in the *Transaction Committee* (**TC**) or in the case of investment loans in the *Investment Committee* (**IC**). Proposals, credit reviews and amendments of smaller scale can be approved outside the TC or IC (as the case may be) by risk management. All counterparties and, subsequently, all facilities, are reviewed at least once a year.

Corporate Credit ratings

NIBC uses an internal through-the-cycle Corporate Credit Rating (**CCR**) rating scale which consists of 10 grades (1-10) and a total of 22 notches. This internal rating table relates to the tables in note 20 Debt investments (fair value through other comprehensive income) and note 22 Loans (amortised cost) showing the credit quality and the maximum exposure to credit risk. The CCRs 9 and 10 are assigned to counterparties that have already defaulted and therefore carry a PD of 100%.

Internal rating description	Internal rating grade				Equivalent rating scale of Standard & Poor's	
	from	to	Low PD%	High PD%	from	to
Investment grade	1	4-	0.00%	0.425%		
Sub-investment grade	5+	8-	0.425%	100%		
Default grade	9	9				
Default grade (bankruptcy filing)	10	10				

Risk measurement Dutch mortgage loans

The calculation of PD, LGD and EAD for owner- occupied mortgages is performed by an internally-developed CRR/CRD IV AIRB model (for BtL mortgages, Basel standardised approach for credit risk is used). The PD estimates are dependent on a variety of factors, of which the key factors are debt-to-income and loan-to-value ratios. Other factors include other mortgage loan and borrower characteristics and payment performance information. The PD scale is based on a continuous scale ranging from 0-100%. The validation of these estimates is performed on historical data and is carried out annually. For the PD, the estimates are back tested against realised defaults and realised losses. In this way, it is ensured that the model functions correctly in a changing economic environment.

Risk governance and arrears management Dutch mortgage loans

In order to control the credit risk in the origination of residential mortgage loans, an acceptance policy framework was formulated to screen residential mortgage applications. Acceptance depends on the following underwriting criteria:

- Conformity with the Code of Conduct on Mortgage Credits of the Dutch Bankers Association where applicable;
- A check of an applicant's credit history with the Dutch National Credit Register (*Bureau Krediet Registratie*or **BKR**), a central credit agency used by financial institutions in the Netherlands, which records five years of financial commitments and negative credit events;
- Mortgage loans are secured by first-ranking mortgage rights;
- Other criteria, such as type of property, maximum *Loan-To-Market Value*(**LTMV**), maximum *Loan-to-Income*(**LTI**) and minimum *Debt Service Coverage Ratio* (**DSCR**);
- Underwriting criteria for mortgages loans with an NHG guarantee are set in accordance with the general terms and conditions set by the WEW. The WEW finances itself by a one-off up-front charge to the borrower as a percentage of the principal amount of the mortgage loan. The NHG guarantee covers losses on the outstanding principal, accrued unpaid interest, and disposal costs, caused by foreclosure.

In order to control the credit risk in the Dutch Mortgage loan portfolio, NIBC has established procedures to manage all loan amounts in arrears in-house. This ensures a dedicated team focused on preventing and minimising credit losses. The Special Servicing Mortgages team is responsible for arrears, client retention, foreclosures, collecting remaining debts and visiting clients and properties that serve as collateral.

The special servicing at NIBC is focused on intensive contact with its mortgage clients and tailor-made solutions. When amounts in arrears occur, NIBC contacts the client. Depending on the outcome of these contacts, a customer-specific approach is formulated on a case-by-case basis. In case of defaults, the Special Servicing team has to submit the file to the Arrears Management Committee for approval of the strategy to be followed. The Arrears Management Committee includes members from Risk Management, Operations, Portfolio Management and the Special Servicing team. NIBC bids for own foreclosed properties at auctions to ensure the proceeds are at arm's length. If needed, NIBC acquires these properties.

NIBC has introduced a programme where vulnerable customers that may face potential future financial difficulties are approached pro-actively with the intention of identifying and resolving difficulties before actual arrears arise.

Risk mitigation and collateral management Dutch mortgage loans

Credit losses are mitigated in a number of ways:

- The underlying property is pledged as collateral;
- 13% of the Dutch own book portfolio and 30% of the securitised portfolio are covered by the NHG programme;
- For the part of the Dutch portfolio that has been securitised, credit losses higher than the retained positions, excess spread and reserve accounts are attributable to investors in the securitisation programmes.

For the portfolio not covered by the NHG programme, the underlying property is the primary collateral for any mortgage loan granted, though savings, life insurance and investment deposits may also serve as additional collateral.

Forbearance and non-performing exposures

These exposures are governed by a bank-wide Forbearance Policy and Default Policy.
NIBC considers a client to be forborne if:

1. NIBC considers the obligor to be in financial difficulties, and
2. NIBC grants a concession to the obligor

Financial difficulties are defined as a debtor facing or about to face difficulties meeting financial obligations. Concession refers to one of the following (per facility):

- Modification of terms or conditions of a troubled facility to allow sufficient debt service capacity (that would not be granted if the obligor were not in financial difficulties);
- (partial) Refinancing of a troubled facility (that would not be granted without financial difficulties).

Within the corporate client offering the forbearance process largely follows the credit approval process making use of delegated risk authority as well as submitting proposals to the TC. With respect to residential mortgage loan portfolio the Client Retention team of the Special Servicing department has the responsibility of assessing the nature and the expected duration of a client's financial distress, and will determine necessity of providing forbearance measures to that client and the conditions that should apply. Forbearance solutions are also submitted to the Arrears Management Committee for further approval

An obligor is considered non-performing if one or more of the following criteria are applicable:

- Material exposures are more than 90 days past due;
- The obligor is unlikely to pay its credit obligations in full, without realisation of collateral;
- A performing under probation (which have been previously defaulted) facility is extended additional forbearance measures during its probation period

The first two criteria are the same as the default criteria and therefore a defaulted obligor is always non-performing as well.

Capital Requirements Regulation/Capital Requirements Directive IV

In line with CRR/CRD IV regulations, the methodology consists of three elements:
- CCR, reflecting the through-the-cycly PD of the borrower. The default definition is in line with the CRR/CRD IV definition;
- LGD, defined as an anticipated loss in the event of default and under an economic downturn assumption, which takes into account the presence and the value of collateral;
- EAD, which is the amount that is expected to be outstanding at the moment a counterparty defaults.

The CRR/CRD IV PDs, LGDs and EADs that are calculated through NIBC's internal models are used for RC. *Economic capital* (**EC**), *Risk-Adjusted Return on Capita*l (**RAROC)**, limit setting ECL and stress testing are additional areas which make use of these parameters, although the values and methodologies for EC, ECL and stress testing differ from those employed in Pillar 1. PDs, LGDs and EADs are also used in the CRR/CRD IV solvency report to the regulator.

Annual backtests of the internal rating framework are carried out to assess the quality and the performance of the models.

NIBC enforces strict separation of responsibilities with respect to its internal rating methodologies and rating process, model development, model validation and IA. The roles and responsibilities of each department involved are explicitly set out in internal policies and manuals, also in conformity with the stipulations of CRR/CRD IV on model governance and model use.

Expected Credit Loss determination

In order to calculate the ECL, NIBC has transformed the CRDIV/CRR PD/LGD/EAD to unbiased and PiT best-estimates by applying probability-weighted forward-looking scenarios for relevant macroeconomic factors. For detail on ECL recognition and measurement refer to section 'Expected credit losses' in the 'Summary of significant accounting policies'.

Scenarios and scenario weights

The determination of the probability weighted ECL requires evaluating a range of relevant future economic conditions. To accommodate this requirement, NIBC uses three different macroeconomic scenarios in the ECL calculation: a baseline, an upturn and a downturn scenario. Each scenario is represented by a specific scenario narrative, scenario probability and a set of macroeconomic factors. A weight is computed for each scenario by using a probabilistic econometric model that considers recent information as well as several decades of historical data. The determined weights constitute the probabilities that the respective macroeconomic developments will occur. The scenarios, including the narratives, the macroeconomic forecasts and the scenario weights, are further discussed, challenged and potentially refined by a team of NIBC-internal experts. The baseline scenario is aligned to the economic and market assumptions used for NIBC business planning purposes.

Economic scenarios and weights applied

ECL scenario	Assigned weights in % 2021	2020
Upturn	30.0%	30.0%
Baseline	32.5%	32.5%
Downturn	37.5%	37.5%

Macro-economic and other factors

The range of macroeconomic, market and other factors that is modelled as part of the scenario determination is wide, and historical information is used to support the identification of the key factors. As the forecast horizon increases, the availability of information decreases and judgment increases. The macroeconomic forecast has an influence on PDs only during the first 5 years. During years 6-10 the model applies reversion to the mean (i.e. the PiT PD converges with the *Through-the-Cycle* (**TTC**) PD) and after year 11 the PDs are influenced only by the TTC matrix. The forward-looking macroeconomic assumptions used in the ECL calculation are derived from Moody's Data Buffet. NIBC has identified different segments to allow for specific risks and forecasts to be incorporated in the macroeconomic scenarios. The segments include:

- Corporate General;
- Corporate Energy;
- Corporate Shipping; and
- Retail.

The following table discloses the macro-economic variables for the period 2022-2026 used in the 2021 year-end ECL calculation:

ECL scenario	Macro-economic variables	2022	2023	2024	2025	2026
		% year-on-year chage				
Upside scenario	NL GDP	3.7%	2.8%	1.9%	1.2%	1.2%
	GB GDP	8.8%	2.9%	1.5%	1.1%	1.1%
	DE GDP	5.9%	3.9%	1.9%	1.1%	0.9%
	NL House Price Index	8.1%	3.3%	0.6%	-0.3%	-0.2%
	DE House Price Index	10.3%	8.1%	6.3%	5.2%	4.6%
	Crude Oil WTI	0.4%	-4.8%	2.3%	2.6%	4.2%
Baseline scenario	NL GDP	2.3%	1.5%	1.6%	1.5%	1.3%
	GB GDP	5.5%	3.5%	2.0%	1.0%	1.3%
	DE GDP	3.8%	2.8%	2.5%	1.6%	1.0%
	NL House Price Index	6.3%	0.7%	0.2%	0.1%	-0.1%
	DE House Price Index	7.8%	6.0%	5.3%	4.7%	4.1%
	Crude Oil WTI	-3.2%	-8.8%	1.5%	3.3%	4.1%
Downside scenario	NL GDP	1.1%	1.2%	1.5%	1.3%	1.2%
	GB GDP	2.7%	3.9%	2.5%	1.4%	1.6%
	DE GDP	2.4%	2.4%	2.8%	1.9%	1.2%
	NL House Price Index	5.2%	-1.2%	-1.0%	-0.3%	0.2%
	DE House Price Index	6.6%	4.5%	4.6%	4.1%	3.8%
	Crude Oil WTI	-20.2%	1.6%	5.6%	2.8%	4.4%

The following table discloses the macro-economic variables for the period 2021-2025 used in the 2020 year-end ECL calculation:

ECL scenario	Macro-economic variables	2021	2022	2023	2024	2025
		% year-on-year chage				
Upside scenario	NL GDP	4.4%	2.4%	2.8%	2.3%	1.8%
	GB GDP	7.7%	6.3%	3.5%	1.8%	0.7%
	DE GDP	5.9%	4.4%	2.3%	1.8%	1.4%
	NL House Price Index	-0.7%	1.5%	2.3%	1.9%	2.1%
	DE House Price Index	3.5%	3.8%	6.2%	7.0%	7.1%
	Crude Oil WTI	34.0%	19.3%	8.5%	3.3%	2.1%
Baseline scenario	NL GDP	1.8%	2.9%	3.0%	2.3%	1.8%
	GB GDP	4.5%	6.8%	4.1%	1.8%	0.8%
	DE GDP	3.1%	4.0%	2.9%	2.3%	1.6%
	NL House Price Index	-1.9%	-1.1%	1.4%	2.4%	2.4%
	DE House Price Index	1.2%	2.1%	5.0%	6.1%	6.4%
	Crude Oil WTI	21.6%	19.5%	9.0%	3.4%	2.2%
Downside scenario	NL GDP	0.2%	2.8%	2.5%	2.5%	2.6%
	GB GDP	1.6%	7.6%	4.6%	2.1%	1.2%
	DE GDP	1.4%	3.9%	2.4%	2.5%	2.4%
	NL House Price Index	-3.1%	-3.7%	-0.3%	1.8%	2.9%
	DE House Price Index	0.5%	1.0%	4.0%	4.9%	5.4%
	Crude Oil WTI	-0.8%	35.2%	13.1%	3.6%	2.3%

Scenarios and weights are updated semi-annually and submitted for approval to the ALCO of NIBC. NIBC has made significant adjustments compared to 2019 on their macroeconomic scenarios to reflect the latest circumstances of the COVID-19 outbreak and the associated public policy measures.

The ECL calculation consists of three elements:
- PD of the borrower, which is an estimate of the default rate over any specified horizon based on the current state of the credit cycle and the anticipated macroeconomic scenarios.
- LGD, defined as the unbiased loss estimate at a future default date, which takes into account the presence and the value of collateral;
- EAD, which is the estimation of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments and prepayments of principal and interest, and arreras and expected drawdowns on undrawn committed facilities.

The ECL are calculated on individual corporate and residential mortgage loans, and can be summarised per stage as follows:
- Stage 1 – For newly originated loans and loans with no significant increase in their credit risk, the ECL is determined on a 12-month horizon;

- Stage 2 – For loans with a SICR, ECL is determined on a lifetime basis.
- Stage 3 - For defaulted loans the ECL is determined on a lifetime basis and based on facility-specific cash flow scenarios. For residential mortgage loans ECL is measured as the difference between the EAD and the sale proceeds of the collateral through private sale or auction.

Asset quality

Asset quality as presented in the table below is impacted by the implementation of the new definition of default policy. This has led to an increase in reported defaulted exposures in the mortgage loan portfolio, without materially increasing expected credit losses. In addition, the Finqus portfolio included defaulted positions at settlement, and consequently, the acquisition resulted in an increase of POCI assets in the mortgage loan portfolio. Overall, excluding the Finqus portfolio there would be continued reduction in the 90 days arrears levels demonstrating the largely technical increase in defaulted exposures. In the corporate loan portfolio, an increase in stage 3 exposures is observed in the non-core part of the portfolio.

The average coverage ratio has decreased for both stage 3 and POCI assets. For POCI assets, this is the result of the Finqus transaction, as the coverage ratio is very small (as the discount is not recognised as an expected loss, and is consequently not included in the coverage ratio). The coverage for the corporate stage 3 and POCI exposures increased in 2021. The overall coverage ratio for stage 3 assets decreased as a result off the new definition of default and its impact on the mortgage portfolio, as well as on the movements within the different corporate asset classes.

Following the portfolio dynamics and implementation of the new definition of default, the coverage ratio for stage 2 assets increased slightly, whereas it remained the same for stage 1 assets.

Other corporate client exposures includes NIBC's non-core asset classes, which consist of Offshore Energy, Financial Sponsors & Leverage Finance, Fintech & Structured Finance, Legacy Infrastructure, Mobility and Mid Market Corporates. The total Other corporate client exposures show a significant reduction with a constant stage ratio for stage 1. The stage ratio for stage 3 slightly increased, offset by a decrease for stage 2, in line with the observed increase in non-performing exposures for non-core asset classes.

Coverage and IFRS 9 Stage ratios

In EUR millions	2021 Exposure amount	2021 Expected credit loss	2021 Coverage ratio	2021 Stage ratio	2020 Exposure amount	2020 Expected credit loss	2020 Coverage ratio	2020 Stage ratio
Stage 1								
Mortgage Loan portfolio	**11,413**	**0**	**0.0%**	**98%**	**9,654**	**1**	**0.0%**	**98%**
Owner occupied mortgage loans - Netherlands	10,313	0	0.0%	98%	8,812	1	0.0%	98%
Buy-to-Let Mortgage loans	1,093	0	0.0%	99%	831	0	0.0%	96%
Owner occupied mortgage loans - Germany	7	0	0.0%	77%	12	0	0.0%	89%
Corporate / Investment Loan portfolio	**6,969**	**16**	**0.2%**	**87%**	**6,553**	**18**	**0.3%**	**86%**
Commercial Real Estate	1,085	2	0.2%	92%	841	2	0.2%	97%
Corporate Treasury	964	-	0.0%	100%	535	-	0.0%	100%
OIMIO	144	0	0.2%	100%	67	0	0.3%	100%
Digital Infrastructure	1,160	2	0.2%	97%	808	1	0.2%	98%
Shipping	854	3	0.3%	93%	779	4	0.5%	93%
NIBC Investment Partners	92	1	0.9%	62%	111	1	1.1%	73%
Other[1]	2,670	8	0.3%	81%	3,413	10	0.3%	81%
Total stage 1	**18,382**	**16**	**0**	**93%**	**16,207**	**18**	**0.1%**	**93%**
Stage 2								
Mortgage Loan portfolio	**130**	**0**	**0.0%**	**1%**	**200**	**0**	**0.2%**	**2%**
Owner occupied mortgage loans - Netherlands	126	0	0.0%	1%	169	0	0.2%	2%
Buy-to-Let Mortgage loans	3	-	0.0%	0%	31	0	0.0%	4%
Owner occupied mortgage loans - Germany	1	0	0.0%	12%	1	0	0.7%	9%
Corporate / Investment Loan portfolio	**629**	**23**	**3.7%**	**8%**	**739**	**23**	**3.1%**	**10%**
Commercial Real Estate	82	1	0.8%	7%	4	0	3.2%	0%
Corporate Treasury	-	-	0.0%	0%	-	-	0.0%	0%
OIMIO	-	-	0.0%	0%	-	-	0.0%	0%
Digital Infrastructure	30	0	1.2%	3%	13	0	0.5%	2%
Shipping	25	0	0.6%	3%	26	1	2.1%	3%
NIBC Investment Partners	38	1	3.3%	25%	30	1	2.9%	20%
Other[2]	455	21	4.6%	14%	666	21	3.2%	16%
Total stage 2	**759**	**23**	**0**	**4%**	**939**	**23**	**3.3%**	**5%**

1 Exposures in category 'Other' consist of EUR 71 million Offshore Energy (ECL: nil), EUR 536 million Financial Sponsors & Leverage Finance (ECL: EUR 3 million), EUR 464 million Fintech & Structured Finance (ECL: EUR 1 million), EUR 646 million Infrastructure (ECL: EUR 1 million), EUR 431 million Mid Market Corporates (ECL: EUR 1 million) and EUR 521 Mobility (ECL: EUR 1 million).

2 Exposures in category 'Other' consist of EUR 100 million Energy (ECL: EUR 3 million), EUR 92 million Financial Sponsors & Leverage Finance (ECL: EUR 4 million), EUR 69 million Fintech & Structured Finance (ECL: EUR 2 million), EUR 43 million Infrastructure (ECL: EUR 7 million), EUR 132 million Mid Market Corporates (ECL: EUR 4 million) and EUR 17 Mobility (ECL: EUR 1 million).

In EUR millions	2021 Exposure amount	2021 Expected credit loss	2021 Coverage ratio	2021 Stage ratio	2020 Exposure amount	2020 Expected credit loss	2020 Coverage ratio	2020 Stage ratio
Stage 3								
Mortgage Loan portfolio	**69**	**1**	**1.1%**	**1%**	**6**	**1**	**17.3%**	**0%**
Owner occupied mortgage loans - Netherlands	64	1	1.2%	1%	5	1	19.9%	0%
Buy-to-Let Mortgage loans	4	-	0.0%	0%	0	-	0.0%	0%
Owner occupied mortgage loans - Germany	1	-	0.0%	11%	0	-	0.0%	3%
Corporate / Investment Loan portfolio	**249**	**80**	**32.1%**	**3%**	**179**	**72**	**39.9%**	**2%**
Commercial Real Estate	18	3	18.7%	2%	24	10	40.3%	3%
Corporate Treasury	-	-	0.0%	0%	-	-	0.0%	0%
OIMIO	-	-	0.0%	0%	-	-	0.0%	0%
Digital Infrastructure	-	-	0.0%	0%	-	-	0.0%	0%
Shipping	36	12	32.9%	4%	32	7	21.7%	4%
NIBC Investment Partners	20	6	31.7%	13%	11	9	83.7%	7%
Other[1]	176	59	33.3%	5%	112	46	40.9%	3%
Lease receivables exposure (Other)	31	22	73.1%	100%	31	14	46.4%	100%
Total stage 3	**348**	**103**	**29.6%**	**2%**	**216**	**87**	**40.2%**	**1%**
POCI								
Mortgage Loan portfolio	53	0	0.9%	0%	-	-	0.0%	0%
Corporate / Investment Loan portfolio	139	51	36.3%	2%	140	43	30.9%	2%
Total POCI	**192**	**51**	**26.6%**	**1%**	**140**	**43**	**30.9%**	**1%**
Loans at fair value through P&L	**166**				**159**			
TOTAL	**19,848**	**193**	**1.0%**		**17,660**	**172**	**1.0%**	

1 Exposures in category 'Other' consist of EUR 93 million Offshore Energy (ECL: EUR 25 million), EUR 12 million Financial Sponsors & Leverage Finance (ECL: EUR 4 million), EUR 55 million Fintech & Structured Finance (ECL: EUR 27 million) and EUR 16 million Mid Market Corporates (ECL: EUR 3 million).

Mortgage loans

The credit risk exposure is equal to the exposures in note 24 Mortgage loans (amortised cost), note 25 Securitised mortgage loans (amortised cost) and the mortgage savings values in note 33 Deposits from customers.

Breakdown of Mortgage loan portfolio

In EUR millions	2021	2020
Mortgage loan portfolio		
Owner occupied mortgage loans - Netherlands	10,556	8,986
Buy-to-Let Mortgage loans	1,100	861
Owner occupied mortgage loans - Germany (closed book)	9	13
Total Mortgage Loan portfolio	**11,665**	**9,860**

Dutch Mortgage loan portfolio
The Dutch Mortgage loan portfolio largely consists of owner occupied mortgages. These contain NIBC Direct loans originated by business partners since 2013, as well as white label mortgage loans that were also originated by business partners up to 2009 or acquired through third parties. Buy-to-let (**BtL**) (NIBC Vastgoed Hypotheek) mortgages for investors were started in January 2015. This niche currently comprises approximately 9% of the total mortgage loan portfolio. Servicing and administration of the mortgage loan portfolio is outsourced to third-party servicers. Acceptance and special servicing is performed in-house.

At 31 December 2021, 13.2% of the Mortgage loan portfolio (31 December 2020: 18%) had a *National Mortgage Guarantee* (**NHG guarantee**) in accordance with the general terms and conditions set by the *Stichting Waarborgfonds Eigen Woningen* (**WEW**, Social Housing Guarantee Fund). This reduction of the percentage NHG mainly reflects the effects of the acquisition of the Finqus portfolio.

A part of the Dutch Mortgage loan portfolio has been securitised to obtain external secured funding. NIBC generally retains the junior notes. As a result the securitisation programmes are consolidated on NIBC's balance sheet. The total amount of the retained positions at 31 December 2021 was EUR 28.9 million (31 December 2020: EUR 29.3 million).

At 31 December 2021, EUR 207 million was reported as forborne (31 December 2020: EUR 118 million).

Arrears overview, Dutch Mortgage loan portfolio

	Arrears allocation		IFRS 9 Stage 3		IFRS 9 Stage 1 and Stage 2	
in EUR millions	2021	2020	2021	2020	2021	2020
No payment in arrear	11,520	9,724	50	1	11,439	9,722
0-30 days	92	70	9	0	75	69
31-60 days	18	23	2	0	10	23
61-90 days	9	14	2	0	3	14
Over 90 days	17	18	5	4	1	13
Total	11,656	9,847	68	6	11,529	9,842

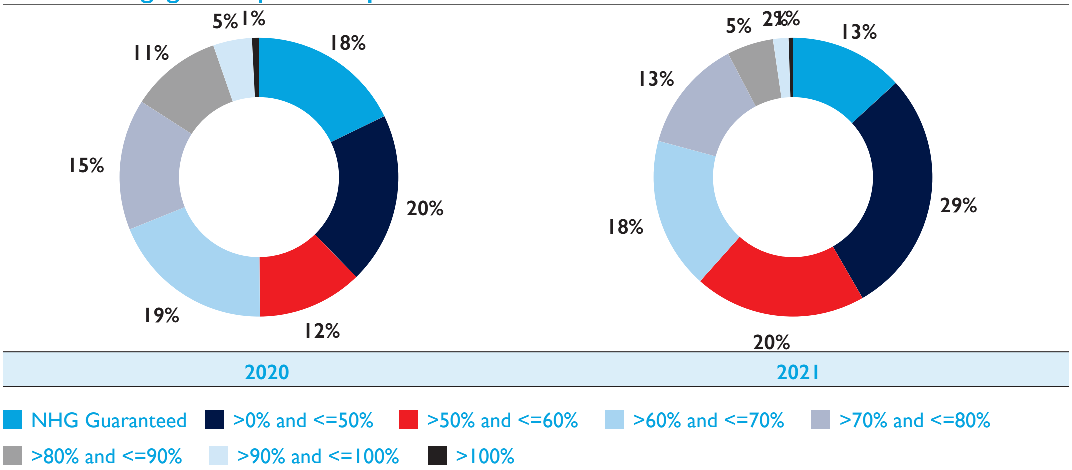
PD allocation of Dutch mortgage loans

	Own book Dutch mortgages loans		Securitised Dutch mortgage loans	
in %	2021	2020	2021	2020
<= 1%	96	98	99	99
1%> <=2%	1.2	0.4	0.0	0.1
2%> <=5%	0.3	0.3	0.1	0.2
5%> <100%	1.1	0.7	0.3	0.5
100%	1.5	0.3	0.5	-
Total	100	100	100	100

An indicator for potential losses, taking into account indexation of house prices and seasoning, is the *Loan-to-Indexed-Market-Value* (**LTIMV**). The indexation is made by using the CBS/Kadaster index, which is based on market observables. The Kadaster (national property register) is a public government register of real estate and their vested rights (e.g. ownership and mortgages). This register contains transaction data as well as CBS (Statistics Netherlands) data, which are used to construct a pricing index. The following graph shows a breakdown of the LTIMV for the total Dutch

Mortgage loan portfolio at the relevant measurement dates. The average seasoning of the total portfolio is approximately 6 years (6 years in 2020), 0.5% of the total portfolio has an LTIMV above 100%. For the remainder of the portfolio, the indexed collateral value is less than or equal to the nominal loan balance outstanding or is a NHG guaranteed mortgage loan.

Dutch Mortgage loan portfolio per LTIMV bucket



German Mortgage loan portfolio

The German Mortgage loan portfolio amounted to EUR 9 million at 31 December 2021 (31 December 2020: EUR 13 million). The collateral value of this portfolio amounted to EUR 25 million at 31 December 2021 (31 December 2020: EUR 31million). The majority of mortgage loans in Germany contain an annuity debt profile, leading to a lower outstanding balance during the lifetime of the loan.

Corporate loans

Corporate loan distribution

The following tables contain both the corporate loans and the investment loans. The investment loans can be found in the portfolio: NIBC Investment Partners. Expected Recovery in the following tables is calculated based on the LGD ratings.

Corporate loan exposure per portfolios and region, 31 December 2021

in %	Commercial Real Estate	Corporate Treasury	OIM	Digital Infrastructure	Shipping	yesqar	NIBC Investment Partners	Other	Total	Total (in EUR millions)
The Netherlands	16	12	2	4	3	-	2	15	53	4,361
Germany	1	0	-	3	1	-	-	11	15	1,259
United Kingdom	-	-	-	5	1	-	0	10	16	1,280
The rest of Europe	0	-	-	3	4	-	0	5	12	942
Other	-	-	-	-	3	-	-	1	4	310
Total	**17**	**12**	**2**	**15**	**11**	**-**	**2**	**42**	**100**	**8,152**
Total (in EUR millions)	**1,379**	**964**	**144**	**1,190**	**914**	**-**	**157**	**3,404**		**8,152**
Expected Recovery[1]	**1,136**	**879**	**139**	**896**	**792**	**-**	**83**	**2,635**		**6,561**

1 Including the financial effect of collateral.

Corporate loan exposure per portfolios and region, 31 December 2020

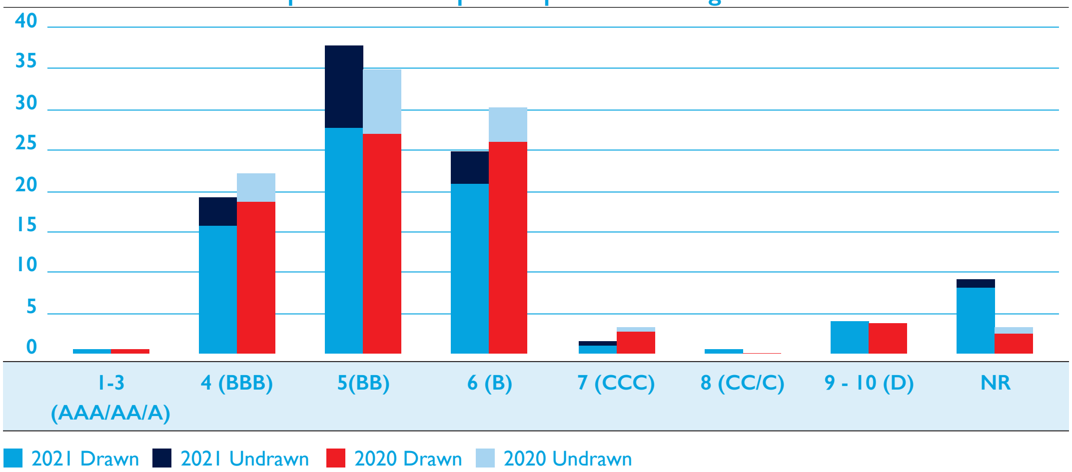
in %	Commercial Real Estate	Corporate Treasury	OIM	Digital Infrastructure	Shipping	yesqar	NIBC Investment Partners	Other	Total	Total (in EUR millions)
The Netherlands	12	7	1	3	3	-	2	21	48	3,760
Germany	1	0	-	2	0	-	0	14	18	1,375
United Kingdom	-	-	-	4	1	-	0	12	17	1,296
The rest of Europe	0	-	-	1	4	-	-	7	12	971
Other	-	-	-	-	3	-	-	1	5	368
Total	**13**	**7**	**1**	**11**	**11**	**-**	**2**	**55**	**100**	**7,770**
Total (in EUR millions)	**1,030**	**535**	**67**	**821**	**856**	**-**	**166**	**4,296**		**7,770**
Expected Recovery[1]	**826**	**454**	**61**	**640**	**762**	**-**	**80**	**3,405**		**6,228**

1 Including the financial effect of collateral.

The weighted average CCR of the non-defaulted clients (excluding investment loans) improved to 5- with an average PD of 1.7% at 31 December 2021. (31 December 2020: 6+ or 1.9%). The credit quality in terms of CCRs remained concentrated in the sub-investment grade categories 5 and 6 (BB and B categories in external rating agencies' scales).

The following graph shows the distribution of the drawn and undrawn corporate loan exposure per CCR. The numbers on the horizontal axis refer to NIBC's internal rating scale, whereas the letters in parentheses refer to the equivalent rating scale of Standard & Poor's. NR stands for not rated/not ratable and is assigned to entities for which NIBC's corporate rating models were not suitable at the time of rating or capital/RWA treatment is based on the standardised approach.

Drawn and undrawn corporate loan exposure per CCR rating

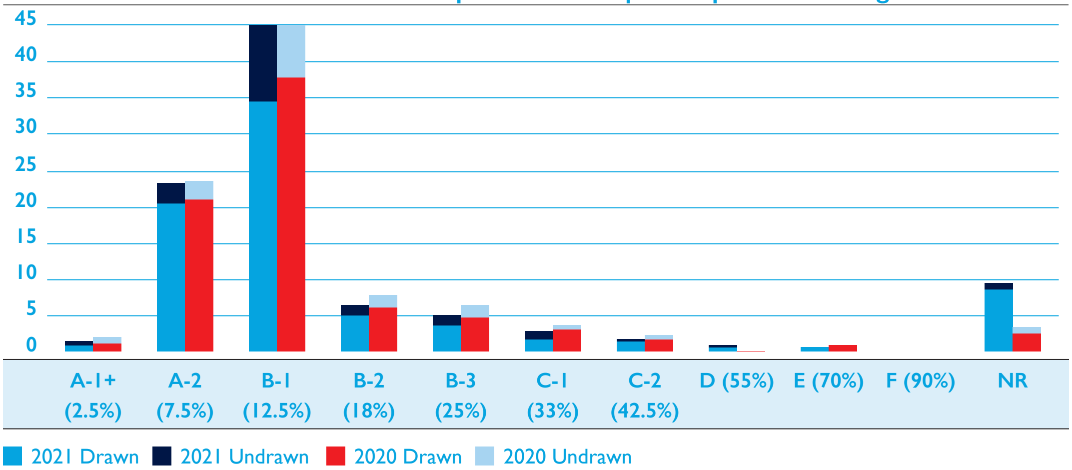


Collateral and Loss Given Default

NIBC's internal LGD scale consists of 7 grades (A-F) and 10 notches, each of which represents a different degree of recovery prospects and loss expectations. LGD ratings are facility-specific. The weighted average LGD remained stable at B-1 grade with slightly improved average LGD of 13.0% at 31 December 2021 (31 December 2020: 14.4%). The weighted average LGD is calculated for non-defaulted loans and is weighted by EAD. The asset classes that are part of NIBC's strategic focus are all well colateralised, the other facilities have some form of collateralisation, resulting in LGDs concentrated (at inception) in those LGD categories that correspond to high recoveries in the range of 80% and 90%.

The following graph shows the distribution of non-defaulted drawn and undrawn corporate loan exposures per LGD. The letters on the horizontal axis refer to NIBC's LGD grades, whereas the numbers in parentheses refer to the loss percentage assigned to each LGD rating. .

Drawn and undrawn non-defaulted corporate loan exposure per LGD rating



The most significant types of collateral securing the loan and derivative portfolios are tangible assets, such as real estate, vessels and equipment. Exposures in the shipping and offshore energy sectors are primarily secured by moveable assets such as vessels and drilling vessels and equipment supporting offshore Energy activities. The Commercial Real Estate portfolio is primarily collateralised by mortgages on financed properties. The fair value of collateral affects the LGD and therefore indirectly affects the calculation of ECL and is generally assessed at inception and periodically re-assessed thereafter. Collateral value on a going concern basis is estimated using third-party appraisers, whenever possible, or valuation techniques based on common market practice. Realisable collateral value is determined as collateral value after haircuts for factors such as business cycle, location, asset construction status or guarantor counterparty rating. Other commercial exposures are, to a large extent, collateralised by assets such as inventory, debtors, lease and other receivables and third-party credit protection (e.g. guarantees).

Arrears

An overview of the amounts in arrear per arrear bucket is provided in the tables below. The "% of On-balance" in the tables refer to drawn amounts only. The amounts in arrear are the actual amounts overdue at the measurement date. The column labelled 'Impairment Amount' includes stage 3 assets as well as *Purchased Originated Credit Impaired* (**POCI**) assets currently in stage 3.

NIBC applies a threshold for determining whether a loan carries a non-material arrear. If the total of the sum of all individual arrears on facility level is lower than 1% of the loan amount outstanding and EUR 500, and the oldest due date of individual counterparty is less than 90 days, then the arrear is considered insignificant. If arrears fall within the threshold, the exposure is placed on the 'no payment in arrear' line. The application of this threshold does not influence the total arrears.

Corporate loan amounts in arrear, 31 December 2021

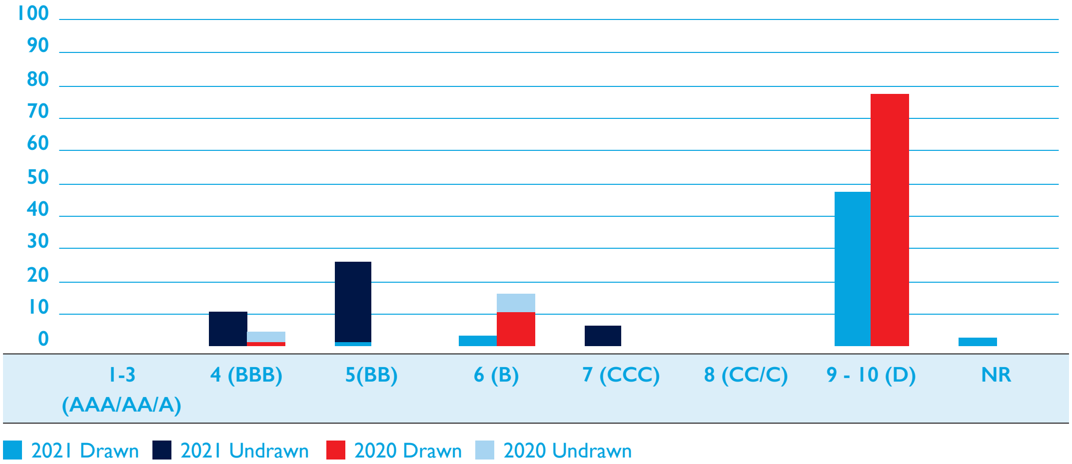
in EUR millions	Exposure						Amount in arrear		
	Total	% of Ex-posure	Stage 3 ECL	Stage 1 and Stage 2 ECL	POCI	FVtPL	Total	% of On-balance	Impair-ment amount
Age of payment in arrear									
1 - 5 days	57	0.7%	-	45	12	-	0	0.0%	0
6 - 30 days	21	0.3%	0	21	-	-	0	0.0%	0
31 - 60 days	-	0.0%	-	-	-	-	0	0.0%	-
61 - 90 days	-	0.0%	-	-	-	-	0	0.0%	-
Subtotal less than 90 days	**78**	**1.0%**	**0**	**66**	**12**	**-**	**1**	**0.0%**	**0**
Over 90 days	96	1.2%	83	7	-	6	65	1.0%	36
No payment in arrear	7,978	97.9%	166	7,525	127	160		0.0%	92
Total	**8,152**	**100.0%**	**249**	**7,598**	**139**	**166**	**66**	**1.0%**	**128**

Corporate loan amounts in arrear, 31 December 2020

in EUR millions	Exposure						Amount in arrear		
	Total	% of Ex-posure	Stage 3 ECL	Stage 1 and Stage 2 ECL	POCI	FVtPL	Total	% of On-balance	Impair-ment amount
Age of payment in arrear									
1 - 5 days	22	0.3%	14	8	-	-	13	0.2%	0
6 - 30 days	22	0.3%	-	22	-	-	0	0.0%	-
31 - 60 days	-	0.0%	-	-	-	-	0	0.0%	-
61 - 90 days	1	0.0%	-	-	-	1	1	0.0%	-
Subtotal less than 90 days	**45**	**0.6%**	**14**	**30**	**-**	**1**	**14**	**0.2%**	**0**
Over 90 days	124	1.6%	72	8	39	5	75	1.1%	49
No payment in arrear	7,601	97.8%	94	7,253	101	153		0.0%	65
Total	**7,770**	**100.0%**	**179**	**7,292**	**140**	**159**	**89**	**1.4%**	**115**

The rating distribution of the exposure amounts (expressed as the sum of drawn and undrawn amounts) of all loans with an amount in arrears is shown below. The total exposure amount at 31 December 2021 was EUR 174 million (31 December 2020: EUR 169 million) and the total drawn amount at 31 December 2021 was EUR 100 million (31 December 2020: EUR 155 million).

Distribution of drawn and undrawn amounts with an arrear per rating category



The following tables provide the total forborne outstanding in NIBC's corporate and investment loan portfolio per portfolios and per region. The forborne outstanding is divided in performing and non-performing outstanding.

Forborne exposure per region, 31 December 2021

	Exposure			
In EUR millions	Non-performing	Performing	Total Exposure	Impairment amount
The Netherlands	75	177	252	37
Germany	112	40	152	53
United Kingdom	12	40	53	2
The rest of Europe	80	36	116	22
Other	1	16	17	0
Total	**280**	**310**	**590**	**113**

Forborne exposure per region, 31 December 2020

	Exposure			
In EUR millions	Non-performing	Performing	Total Exposure	Impairment amount
The Netherlands	61	117	178	35
Germany	108	37	145	48
United Kingdom	15	4	19	8
The rest of Europe	34	58	92	6
Other	1	19	20	1
Total	**219**	**236**	**455**	**98**

Forborne exposure per ECL stage

	2021			2020		
In EUR millions	Exposure amount	Expected credit loss	Write-offs	Exposure amount	Expected credit loss	Write-offs
Stage 1						
Commercial Real Estate	4	0		-	-	
Corporate Treasury	-	-		-	-	
OIMIO	-	-		-	-	
Digital Infrastructure	-	-		-	-	
Shipping	21	0		-	-	
yesqar	-	-		-	-	
NIBC Investment Partners	2	0		-	-	
Other[1]	17	0		45	0	
Total stage 1	**45**	**0**	**-**	**45**	**0**	
Stage 2						
Commercial Real Estate	27	0		4	0	
Corporate Treasury	-	-		-	-	
OIMIO	-	-		-	-	
Digital Infrastructure	-	-		-	-	
Shipping	13	0		22	1	
yesqar	-	-		-	-	
NIBC Investment Partners	32	1		24	0	
Other[2]	179	11		123	3	
Total stage 2	**251**	**12**	**-**	**173**	**4**	
Stage 3						
Commercial Real Estate	18	3	-	24	10	-
Corporate Treasury	-	-	-	-	-	-
OIMIO	-	-	-	-	-	-
Digital Infrastructure	-	-	-	-	-	-
Shipping	36	12	-	32	7	3
yesqar	-	-	-	-	-	-
NIBC Investment Partners	19	6	0-	11	9	-
Other[3]	116	46	6	69	36	66
Total stage 3	**188**	**67**	**6**	**136**	**62**	**69**
Total stages 1, 2 and 3	**484**	**80**	**6**	**355**	**67**	**69**
Other loans						
POCI	100	48	-	94	36	-
FVtPL	6	-		6	-	
Total amounts	**590**	**128**	**6**	**455**	**103**	**69**

1 Exposures in category 'Other' consist of EUR 7 million Energy and EUR 11 million Mid Market Corporates.
2 Exposures in category 'Other' consist of EUR 21 million Offshore Energy (ECL: EUR 1 million), EUR 44 million Financial Sponsors & Leverage Finance (ECL: EUR 1 million), EUR 3 million Fintech & Structured Finance (ECL: nil), EUR 32 million Infrastructure (ECL: EUR 7 million) and EUR 78 million Mid Market Corporates (ECL: EUR 2 million).
3 Exposures in category 'Other' consist of EUR 61 million Offshore Energy (ECL: EUR 18 million), EUR 12 million Financial Sponsors & Leverage Finance (ECL: EUR 4 million), EUR 33 million Fintech & Structured Finance (ECL: EUR 23 million) and EUR 9 million Mid Market Corporates (ECL: EUR 3 million).

ECL amounts

Refer to section 'Expected credit losses' in the 'Summary of significant accounting policies' for full detail on ECL determination. The table on the next page displays an overview of stage 1, stage 2 and stage 3 ECL amounts subdivided in regions. The column labelled 'Exposure' includes both drawn and undrawn amounts.

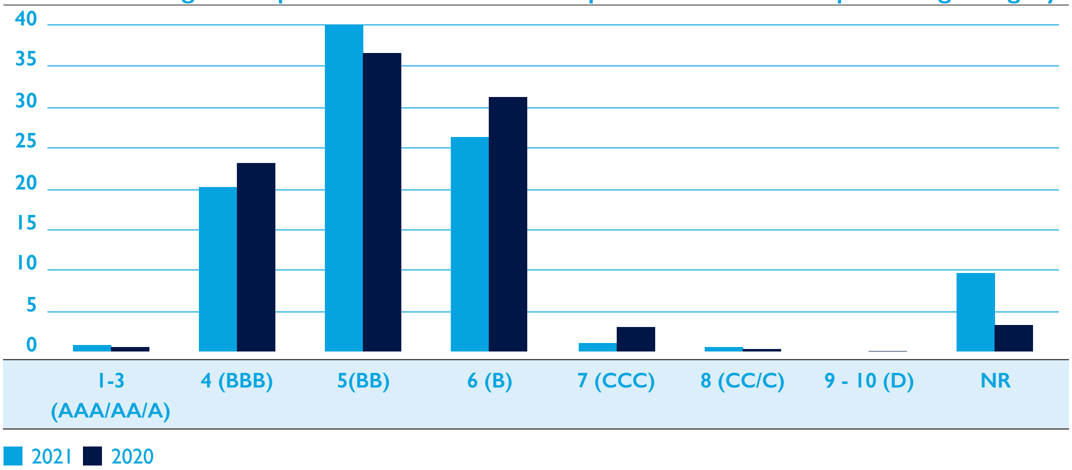
Expected credit losses per region

	2021			2020		
in EUR millions	Exposure amount	Expected credit loss	Write-offs	Exposure amount	Expected credit loss	Write-offs
Stage 1						
The Netherlands	3,843	8		3,290	9	
Germany	994	3		1,050	3	
United Kingdom	1,146	2		1,142	2	
The rest of Europe	745	2		778	2	
Other	241	1		294	1	
Total stage 1	**6,969**	**16**		**6,553**	**18**	
Stage 2						
The Netherlands	274	4		243	6	
Germany	113	6		174	7	
United Kingdom	121	8		126	6	
The rest of Europe	86	3		145	3	
Other	35	1		50	1	
Total stage 2	**629**	**23**	**-**	**739**	**23**	**-**
Stage 3						
The Netherlands	78	37	4	67	39	16
Germany	47	10	7	35	14	9
United Kingdom	12	3	11	28	12	3
The rest of Europe	111	29	0	48	6	35
Other	1	0	3	1	1	45
Total stage 3	**249**	**80**	**25**	**179**	**72**	**109**
Total of stages 1, 2 and 3						
The Netherlands	4,195	50	4	3,600	53	16
Germany	1,154	20	7	1,259	25	9
United Kingdom	1,280	13	11	1,296	20	3
The rest of Europe	942	34	0	971	12	35
Other	277	2	3	346	2	45
Total stages 1, 2 and 3	**7,847**	**119**	**25**	**7,471**	**112**	**109**
Other loans						
POCI	139	51	(2)	140	43	-
FVtPL	166			159		
Total amounts	**8,152**	**169**	**23**	**7,770**	**155**	**109**

Corporate loans without impairments or arrears

At 31 December 2021, the size of the corporate loan exposure carrying stage 1 and stage 2 credit losses equalled EUR 7,598 million or 93.2% of the total Corporate Loan portfolio (31 December 2020: EUR 7,292 million or 93.8%).

Distribution of gross exposure amount without impairments or arrears per rating category



Note that gross exposure amounts may include exposure accounted for at FVtPL, in which case no separate impairment will be recorded.

Lease receivables

The remaining exposure is related to a single counterparty with an exposure of EUR 31 million. This exposure is defaulted, non-performing and impaired.

Debt investments

NIBC defines credit risk in debt investments as issuer risk, which is the credit risk of losing the principal amount on products such as bonds. Issuer risk is calculated based on the book value.

Risk monitoring and measurement

Risk is controlled by setting single issuer limits and, in some cases, programme limits. All single issuer limits are approved by the TC or by delegated authority to the *Financial Markets Credit Risk* (**FMCR**) department. Apart from single issuer limits, risk is also monitored by assessing credit spread risk. Both sensitivity analysis (*basis point values,* **BPV**s) and Value at Risk (**VaR**) numbers are used.

Note 53 on Market Risk contains more information on these variables.
In the remainder of this section, the exposure has been divided into the following two sub-portfolios:

- Debt from financial institutions, corporate entities and sovereigns;
- Securitisations.

Debt from financial institutions and corporate entities

NIBC invests in debt (bonds) issued by financial institutions and corporate entities. Of the total exposure, 63% (31 December 2020: 44%) were covered bonds. The remaining 37% (31 December 2020: 56%) was senior unsecured debt.

The exposure amount of EUR 220 million at 31 December 2021 represents the maximum credit risk exposure, without taking into account the presence of any collateral that could be repossessed in case of default. The portfolio did not contain any credit default swap exposures.

Debt of financial institutions and corporate entities, 31 December 2021

In EUR millions	AAA	AA	A	BBB	BB	<BB	NR	Total
Financial institutions	80	26	57	17	-	-	-	180
Corporate entities	-	-	-	-	-	-	-	-
Sovereigns	22	18	-	-	-	-	-	40
Total	**102**	**44**	**57**	**17**	**-**	**-**	**-**	**220**

Debt of financial institutions and corporate entities, 31 December 2020

In EUR millions	AAA	AA	A	BBB	BB	<BB	NR	Total
Financial institutions	100	26	85	20	-	-	-	231
Corporate entities	-	-	-	-	10	-	-	10
Sovereigns	47	17	-	-	-	-	-	64
Total	**146**	**43**	**85**	**20**	**10**	**-**	**-**	**305**

At both 31 December 2021 and 31 December 2020, the portfolio of debt from financial institutions, corporate entities and sovereigns had no credit losses and contained no arrears.

Securitisations

NIBC has been an active participant on the securitisation market in the past decade, both as an originator and investor in securitisations. NIBC's securitisation exposure forms part of the broader Debt Investment portfolio in addition to financial institutions, corporate entities and sovereigns.

The following tables present an overview of NIBC's total securitisation exposure resulting from its activities as investor in securitisations. The exposure relating to NIBC's activities as an originator can be split into exposures related to consolidated and non-consolidated securitisations. If a securitisation programme is consolidated on NIBC's balance sheet, the exposure to the underlying collateral is excluded from the securitisation exposure and included in the total exposures presented earlier with respect the credit risk of the residential mortgage loan portfolio. NIBC's total exposure as an originator to consolidated securitisations was EUR 195 million at 31 December 2021 (31 December 2020: EUR 182 million).

NIBC distinguishes two Securitisation sub-portfolios: the portfolio of Western European Securitisations and the Liquidity Investments portfolio. The portfolio of investments in Western European securitisations also contains NIBC's own non-consolidated securitisations which are subject to relevant (delegated) internal approval process. The Liquidity Investments portfolio invest part of NIBC's excess liquidity wherel ivestments are primarily AAA rated RMBS transactions backed by Dutch collateral or European ABS (e.e. French and German car loans and credit card receivables) and are eligible to be pledged as collateral with the ECB. Apart from the strict mandate, each investment is pre-approved by Group Risk Management.. NIBC no longer uses Fitch as a provider of external ratings and as such securitisations with only a rating of Fitch are classified as Not Rated (NR).

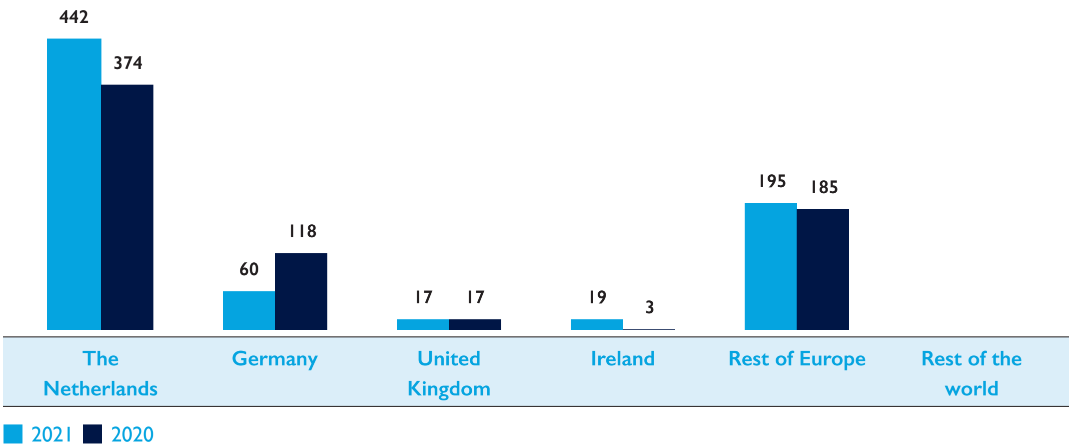
Exposure to securitised products, 31 December 2021

Book value, in EUR millions	AAA	AA	A	BBB	BB	<BB	NR	Total
EU - ABS	-	-	-	-	-	1	-	1
EU - CDO	25	-	4	3	2	3	17	54
EU - CMBS	-	-	-	-	-	3	-	3
EU - RMBS	-	18	37	10	-	2	-	67
Total Western European securitisations	**25**	**18**	**41**	**12**	**2**	**9**	**17**	**125**
NL - RMBS AAA Liquidity portfolio	358	-	8	-	-	-	84	450
EU- ABS AAA Liquidity portfolio	120	-	-	-	-	-	38	158
Total securitisation exposure	**503**	**18**	**49**	**12**	**2**	**9**	**139**	**733**

Exposure to securitised products, 31 December 2020

Book value, in EUR millions	AAA	AA	A	BBB	BB	<BB	NR	Total
EU - ABS	-	-	-	-	-	1	-	1
EU - CDO	13	-	2	1	1	2	17	36
EU - CMBS	-	-	-	-	-	3	-	3
EU - RMBS	-	18	29	9	-	3	0	59
Total Western European securitisations	**13**	**18**	**31**	**11**	**1**	**8**	**18**	**98**
NL - RMBS AAA Liquidity portfolio	329	-	-	-	-	-	70	398
EU- ABS AAA Liquidity portfolio	176	-	-	-	-	-	25	201
Total securitisation exposure	**517**	**18**	**31**	**11**	**1**	**8**	**113**	**698**

Geographic distribution of securitisations per region (based on where cashflows are generated)



Expected credit losses on securitisations

The Securitisations portfolio is reported at AC or fair value for accounting purposes and the respective assets are subject to a quarterly impairment monitoring process. ECL related to stage 3 are taken when the expected future cashflows are insufficient to meet the payment obligatons. The stock of stage 3 credit losses decreased to EUR 0 million at 31 December 2021 (31 December 2020: EUR 1.5 million).

Distribution of securitisation exposure without impairments, 31 December 2021

Book value, in EUR millions	AAA	AA	A	BBB	BB	<BB	NR	Total
Securitisation exposure without impairments	503	18	49	12	2	9	139	733

Distribution of securitisation exposure without impairments, 31 December 2020

Book value, in EUR millions	AAA	AA	A	BBB	BB	<BB	NR	Total
Securitisation exposure without impairments	517	18	31	11	1	8	113	698

Cash management

NIBC is exposed to credit risk as a result of cash management activities. In 2021, NIBC's risk management framework for cash management continued its conservative approach, taking into account the vulnerable financial markets.

Risk monitoring and measurement

NIBC places its excess cash with the the DNB/Dutch State Treasury Agency and with a selected number of investment-grade financial institutions. A monitoring process is in place within the Group Risk Management department for the approved financial institutions. Cash management exposures can be collateralised through reverse repo transactions or unsecured through interbank deposits and current accounts.

Correspondent banking and third-party account providers

Apart from the exposure in cash management, NIBC holds foreign currency accounts at correspondent banks and also utilises third-party account providers for internal securitisations.

Exposures

The majority of funds are held at DNB, Deutsche Bundesbank, and the central bank in Belgium. Cash with corporate entities represents securitisation-related liquidity facilities. The Expected Credit Loss on this portfolio is not material given the high credit quality of counterparties.

Cash, 31 December 2021

In EUR millions	AAA	AA	A	≤BBB	Total
Cash and balances with central banks	1,773	20	-	-	1,793
Financial institutions	-	-	616	-	616
Corporate entities	4	-	-	-	4
Total	**1,778**	**20**	**616**	**-**	**2,414**

Cash, 31 December 2020

In EUR millions	AAA	AA	A	≤BBB	Total
Cash and balances with central banks	1,889	20	-	-	1,909
Financial institutions	-	37	515	0	552
Corporate entities	4	-	-	-	4
Total	**1,893**	**56**	**515**	**0**	**2,465**

Cash collateral has been excluded from the cash management exposure as this amount is restricted cash that relates to derivatives with a negative fair value. At both 31 December 2021 and 31 December 2020, this portfolio carried no impairments and no arrears.

Credit risk in derivatives

Credit risk in derivatives is the risk of having to replace the counterparty in derivative contracts. NIBC's credit risk in derivatives can be split into exposures to financial institutions and corporate entities. NIBC only enters into OTC contracts with central clearing counterparties and financial institutions that are investment grade or with corporate entities where the exposure is secured by some form of collateral.

Risk monitoring and measurement

Credit risk in derivatives is based on the marked-to-market value and *Potential Future Exposure* (**PFE**) of the derivative. The PFE reflects a potential future change in marked-to-market value during the remaining lifetime of the derivative contract. For financial institutions, separate limits for credit risk are in place, based on the external credit rating. For corporate clients, NIBC enters into a derivative transaction as part of its overall relationship with the client. The credit approval process for these derivatives is closely linked with the credit approval process of the loan. Limit-setting proposals for both financial institutions and corporate counterparties are reviewed in the TC. For financial institutions, collateral postings under a CSA are taken into account. In 2021, NIBC continued the common practice to offset assets and liabilities with central clearing members. Derivatives with the same characteristics, being counterparty, maturity bucket and currency are netted for disclosure purposes. For corporate counterparties, both the loan and derivative are treated as a single package whereby the derivative often benefits from the security/collateral supporting the loan exposure.

Collateral

NIBC enters into bilateral collateral agreements with financial institutions to mitigate credit risk in OTC derivatives by means of CSAs. Positive marked-to-market values can be netted with negative marked-to-market values and the remaining exposure is mitigated through bilateral collateral settlements (as in the tables below). Accepted collateral is mainly cash collateral, which is usually exchanged on a daily basis. The primary counterparties in these CSAs are large international banks with ratings of "A" or better. NIBC generally carries out daily cash collateral exchanges to account for changes in the market value of the contracts included in the CSA.

Terms and conditions of these CSAs are in line with general ISDA credit support documents. Collateral from CSAs significantly decreases the credit exposure on derivatives, as presented further below. Standardised Approach Counterparty Credit Risk (**SA-CCR**) is a new regulatory requirement since mid-2021 which makes a different calculation for the EAD than the Current Exposure Method (**CEM**) as previously used.

Derivative exposure including netting and collateral (SA-CCR:EAD), 31 December 2021

In EUR millions	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR	Total
Financial institutions	-	2	81	-	-	-	-	-	-	-	-	83
Corporate entities	20	-	3	295	88	7	-	29	-	-	-	442
Total	**20**	**2**	**84**	**295**	**88**	**7**	**-**	**29**	**-**	**-**	**-**	**525**

Derivative exposure including netting and collateral (CEM:EAD), 31 December 2020

In EUR millions	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR	Total
Financial institutions	-	7	121	-	-	-	-	-	-	-	-	128
Corporate entities	13	-	4	247	81	17	2	17	-	-	-	381
Total	**13**	**7**	**125**	**247**	**81**	**17**	**2**	**17**	**-**	**-**	**-**	**508**

Valuation of corporate derivatives (credit and debt value adjustments)

CVA and DVA are incorporated into derivative valuations to reflect the risk of default of the counterparty as well as the own default risk of NIBC. The adjustments are applied to all OTC derivative contracts, except for those that benefit from a solid collateral agreement where cash collateral is regularly exchanged, mitigating the credit risk. In practice, this means that CVA and DVA are only applied to OTC derivative contracts that generate credit risk on corporate (i.e. non-financial) counterparties. For corporate derivatives NIBC's strategy is to hedge our position via reputable financial institutions.

Arrears

NIBC applies a threshold for determining whether a derivative carries a non-material arrear. The criteria for this threshold are the same as for the portfolio of corporate loans. If amounts in arrear fall below the threshold (EUR 100,000), they are considered insignificant and are therefore excluded. The application of the threshold does not influence the total arrears for 2021 and 2020.

There were no amounts in arrear for derivatives with financial institutions at 31 December 2021 and at 31 December 2020.

Other risk types

In 2021, the equity portfolio increased slightly due to revaluations and new investments. For new businesses NIBC aims for smaller direct client investments.

In 2021, work as been undertaken on existing derivatives agreements, loan and funding documentation to make adjustments to reflect the transition from IBOR to *Risk Free Rates* (**RFR**). Also, new transactions are expected referencing the RFRs, such as *Sterling Overnight Index Average* (**SONIA**) and *Secured Overnight Financing Rate* **(SOFR**). The timing of the transition is based on the recommended timelines from the Working Group on Sterling Risk-Free Reference Rates and the Alternative Reference Rates Committee.

NIBC does not take a currency position actively. At year-end 2021 the open foreign curency position was EUR 9.1 million.

Country risk is the risk that an entity defaults due to political, social, economical or financial turmoil in its applicable jurisdiction(s). Country risk can potentially be an important cause of increased counterparty default risk since a large number of individual debtors could default at the same time. NIBC did not experience any counterparty defaults from this risk in 2021.

Capital adequacy

SREP requirements

Our solvency levels are well above the minimum required levels as set by DNB in the *Supervisory Review and Evaluation Process* (**SREP**), as illustrated in the table below.

SREP requirements

	1 January 2021			31 December 2020		
	CET 1	Tier 1	Total capital	CET 1	Tier 1	Total capital
Pillar I	4.5%	6.0%	8.0%	4.5%	6.0%	8.0%
Pillar II	2.2%	2.9%	3.9%	1.9%	2.5%	3.3%
Subtotal	**6.7%**	**8.9%**	**11.9%**	**6.4%**	**8.5%**	**11.3%**
Capital Conservation Buffer (CCB)	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Countercyclical Capital Buffer (CCyB)	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
SREP requirement	**9.3%**	**11.4%**	**14.4%**	**8.9%**	**11.0%**	**13.8%**
Pillar II guidance		*not disclosed*			*not disclosed*	
Actual						
NIBC Bank transition	18.8%	21.5%	23.6%	21.3%	24.7%	27.6%
NIBC Bank fully loaded	19.0%	21.4%	22.5%	21.3%	24.0%	25.4%
NIBC Bank fully loaded pro forma 1 January 2022[1]	17.4%	19.6%	20.6%			
Fully loaded capital (EUR)	1,630	1,830	1,928	1,631	1,831	1,942
Risk-weighted assets	8,572	8,572	8,572	7,640	7,640	7,640

1 Due to implementation DNB mortgage floor.

In the 2021 SREP letter, DNB has imposed a Pillar II Requirement (P2R) of 3.9% for NIBC . The P2R includes an add-on for the Buy-to-Let portfolio, as DNB expects NIBC to adjust the risk weights within the standardised approach applied to the portfolio. This would lead to a decrease of CET 1 ratio by approximately 1%-point, in addition to the impact of the introduction of the floor for the risk weight on Dutch mortgage loans. NIBC anticipates that the decrease in its actual capital ratio will be partially offset by a decrease of the P2R when it adapts the risk weights for the portfolio in line with expectations in the course of 2022, leading to a lower SREP requirement. Under Basel IV, specific risk floors are defined for this type of portfolios, which are significantly lower than the risk weights that NIBC will have to apply as of 2022.

In 2021, NIBC acquired the Finqus mortgage loan portfolio. Currently, the portfolio is treated under the standardised approach for mortgage loans to determine its RWA, negatively impacting the CET 1 ratio with 1.3%-points. In 2022, NIBC will include these exposures in its Internal Rating Based approach, which will lead to a significant reduction of the associated RWAs (by more than EUR 200 million, based on the position per balance sheet date) and consequently an increase in NIBC's capital ratios.

Basel IV

An agreement was reached on the finalisation of the Basel III reforms (Basel IV) in December 2017. In March 2020 the Basel Committee on Banking Supervision announced that it will delay the implementation of Basel IV and its accompanying transitional arrangement by one year to allow banks to focus on the COVID-19 pandemic. The standards will have to be fully implemented by January 2028.

While certain elements still require more clarification, based on our current assessment and interpretation of the Basel IV Standards, NIBC estimates the impact to be well below 10% of RWA by 2028, compared to the RWA as determined at year-end 2021. This increase is in addition to the impact of the 30% RWA add-on following the *Internal Model Investigation* (**IMI**) in 2019 and the mortgage floor for Dutch mortgage loans, as it will be implemented as of January 2022. 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 a portfolio composition in 2028 that is equal to the current portfolio, as well as risk weights that reflect 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. NIBC aims to meet the final requirements early in the phase-in period while NIBC continues to execute our client-focused strategy.

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 a portfolio composition in 2028 that is equal to the current portfolio, as well as risk weights that reflect the current economic environment. This implies the impact of the sharpened strategic focus has not been taken into consideration.

Resolution

Under the Bank Recovery and Resolution Directive (BRRD), resolution authorities are required to assess whether – in case of a bank's failure – the resolution objectives are best achieved by winding down the bank under normal insolvency proceedings or resolving it. If it is the latter, a preferred resolution strategy is developed, including the use of appropriate resolution tools and powers as described in the BRRD.

For NIBC, the relevant resolution authority has stated the preferred resolution strategy to be single point of entry at NIBC Bank level with the following approach: *"The use of the sale of business tool (SOB), the share-deal version, is considered the preferred approach for a resolution of NIBC Bank. Following the write down and conversion of capital instruments, this could be used in combination with a bail-in depending on the level of losses in resolution. The use of the bail-in tool is considered as a variant strategy".*

NIBC has an open dialogue with its regulator to assess the current situation and remains confident it will meet the MREL requirement.

Legacy instruments

Following the *European Banking Authority* (**EBA**) Opinion issued in 2020 on prudential treatment of legacy instruments, NIBC has performed an additional review of the treatment of its outstanding legacy Tier 1 instruments and has taken the approach to not include these instruments in the 'fully eligible' treatment for regulatory capital under the *Capital Requirements Regulation* (**CRR**), in light of the additional guidance provided by EBA. Due to Brexit, two legacy Tier 2 instruments issued under English law no longer comply with the applicable regulation for Tier 2 treatment and are therefore excluded from (fully loaded) total capital since 31 December 2020. They are however included in our (phase-in) total capital.

In December 2021, the BRRD 2 has been implemented into Dutch legislation. This has provided clarity on the treatment of NIBC's outstanding legacy Tier 1 instruments. Following an updated analysis, NIBC's Managing Board has concluded that the new legislation has sufficiently adressed the risk of infection, preserving the quality of our regulatory capital position. The outstanding legacy instruments are not part of our own funds, but do however support the bank's MREL position. NIBC expects to keep these instruments as regular funding unless our regulators would request NIBC to call them.

Economic capital

In addition to *Regulatory Capital* (**RC**), 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 RC as NIBC assesses the specific risk characteristics of its business activities in a different manner than the required regulatory method.

Dividend

The *maximum distributable amount* (**MDA**) is determined by comparing actual solvency levels to the minimum SREP requirements. Solvency ratios have to exceed the SREP requirements to allow distribution of dividends. To prevent limitations in distributions, the MDA which consists of the amount of CET 1 above the SREP requirement divided by the combined buffers (CCB and CCyB), must be above 100%. The present ratios provide sufficient room to execute NIBC's dividend policy.

OUR PEOPLE

As a bank built for entrepreneurs, we are committed to cultivate our 'Think YES' mentality by being flexible and agile and by matching our clients' can-do attitude. Our people are our key assets and enable us to deliver our business strategy. They bring knowledge, skills and diversity to our teams.

We also have a responsibility towards our employees, their health, well-being and ability to develop themselves. This year keeping our workforce healthy and safe has been a priority in part due to the pandemic. We have also continued to pursue efforts towards diversity, employee development and engagement.

The COVID-19 pandemic has continued to influence our ways of working. During the year, we have focused on keeping our people healthy while recognising the need to meet colleagues and clients when the health situation allowed it. Therefore, we have alternated between periods of full remote working and periods of hybrid working, following the development of the pandemic and changing government policy. Technology investments made in previous years have enabled a business as usual approach without critical interruptions.

The entrepreneurial mindset of our people led to innovative ways of working to best deal with the situation, make a success of hybrid working and continue to feel as part of an active community. We have supported these initiatives and also ensured to create several others during the year to keep this sense of community alive (e.g. care packages, online classes, vitality challenge). Our onboarding process for new colleagues allows for a safe arrival while also providing a personal welcoming moment.

Integrity
NIBC has continued to run our Banking on Trust programme and made concerted efforts to ensure a responsible corporate culture, integrity and good behaviour. The programme emphasises NIBC's corporate values, our Code of Conduct, and awareness.

Each month the CEO and CRO leads the Bankers' Oath pledge with all new employees. We continued the Compliance & Integrity awareness programme, through mandatory e-learning on Compliance as well as Data privacy. Flexible working circumstances do not change the fact that we are mindful of our responsibility towards society. All new employees of NIBC Bank are educated on our approach towards sustainability as part of introduction sessions.

Diversity & inclusion
We are committed towards fostering and improving diversity within our organisation. Diversity at NIBC comprises different gender, nationalities, ages, cultures, as well as social or personal differences. The Exco approved a coherent set of measures and targets – also incorporating a broader diversity scope – which will help us to deliver results. The overall diversity target remains to have a minimum of 30% of women.

Diversity in general, and the male-female balance specifically, are explicitly considered in our talent programmes and performance management. To address gender imbalances, we have introduced engagements, like mentorships and dedicated workshops and programmes, aimed at retaining and further developing talented female employees. Furthermore, we work closely with communities such as Talent to the Top.

NIBC's *Diversity Policy* aims to foster a culture where every colleague is treated with respect, and diversity and differences are valued. NIBC has zero tolerance for all forms of discrimination with respect to employment and occupation including verbal, physical and sexual harassment. Furthermore, we have systems and processes in place to actively manage and stimulate equal compensation. We comply with national employment legislation in the countries in which we are active and make use of best practices. Respecting and protecting human rights and embracing diversity are embedded in our Code of Conduct.

Our policies set an objective that 30% of NIBC's Supervisory Board, the Managing Board and the Executive Committee is comprised of women or men. In order to facilitate an appropriately diverse pool of candidates for management body positions NIBC has set an overall target of 30% women at all function levels and within each business unit. Separate internal targets are set and monitored or inflow, career, outflow, to support reaching the overall target.

Diversity take many forms. Although NIBC is not legally allowed to monitor ethnicity, religious beliefs or other aspects, we aim to increasingly diversify our workforce. Diversity brings with it a richness of perspectives, opportunities for value creation and helps us to empowers innovation and achieve growth.

Safe workplace

We focus on ensuring a workplace environment in which employees can be who they are, where different views are respected and where every employee feels safe. We want everyone to be themselves and feel safe and comfortable, regardless of their race, ethnicity, gender, religion, age, disability, sexual orientation, gender identity or gender expression. We view this as one of the keys to our success.

NIBC's Diversity Committee plays an important role in identifying, mitigating and reducing social risks in our operations. Our Diversity Committee provides advice on diversity and inclusion to NIBC's ExCo and runs initiatives to promote awareness.

During 2021 NIBC gave extra attention to raising awareness that we are ensuring a safe workplace, attracting a diverse talent pool, and creating equal opportunities for women and the LGBTI+ community. In October NIBC's CRO led a day-long celebration of diversity and inclusion at NIBC. Employees shared their own stories. We also participated in the UNGC NL diversity week initiative to promote diversity and inclusion. A special flag was raised outside of NIBC to create public awareness and promote diversity in the workplace.

Internal programmes during 2021 promoted the importance of ensuring the potential perception from the point of view of the recipient and to protect each other, speaking up if there are situations when someone may not feel comfortable to do so themselves.

NIBC Works Council

NIBC's *Works Council* is a body which represents employees in discussions with our Managing Board and Supervisory Board. The Council officially represents the employees on the Dutch payroll, but also acts for the benefit of all employees. They are the eyes and ears of employees and a critical sparring partner for company management. During 2021 working conditions, the employee engagement survey and the strategic change were among the topics which were discussed. NIBC's Council is represented in the Dutch organisation for Works Councils for banks.

Employee benefits

NIBC also uses a modern set of employee benefits, which are flexible and well aligned with the realities of our business. An important aspect is the discretionary approach to compensation and benefits, which takes into account a range of considerations, including performance indicators, sustainability and country-wide benchmarks. This enables us to attract and reward our talented staff and retain them.

Among the benefits, NIBC offers a *collective-defined contribution* (**CDC**) pension scheme ensuring that employees build up a good pension, while also making pension costs predictable.

Since 2014, NIBC has opted not to be part of the collective labour agreement for banking institutions in the Netherlands. Therefore, the Works Council – as the representative of all NIBC's employees on the payroll in the Netherlands – became senior management's direct interlocutor for negotiations in this important area.

Together this package allows us to achieve low absenteeism, high engagement levels as displayed in our employment survey and continued improvement in our diversity indicators. Importantly our people have felt supported throughout the COVID-19 pandemic.

Training & development

We are dedicated to ensure that each of our people can grow and develop to make a difference. We rely on agile, frequent feedback sessions and training. At NIBC, each employee gets a personal development budget of EUR 2,500 for two years. Employees can choose from a wide variety of internally and externally organised offerings, allowing each employee tremendous flexibility to pursue their own career development goals. Overall the average spending on training during 2021 was EUR 2,773 per employee.

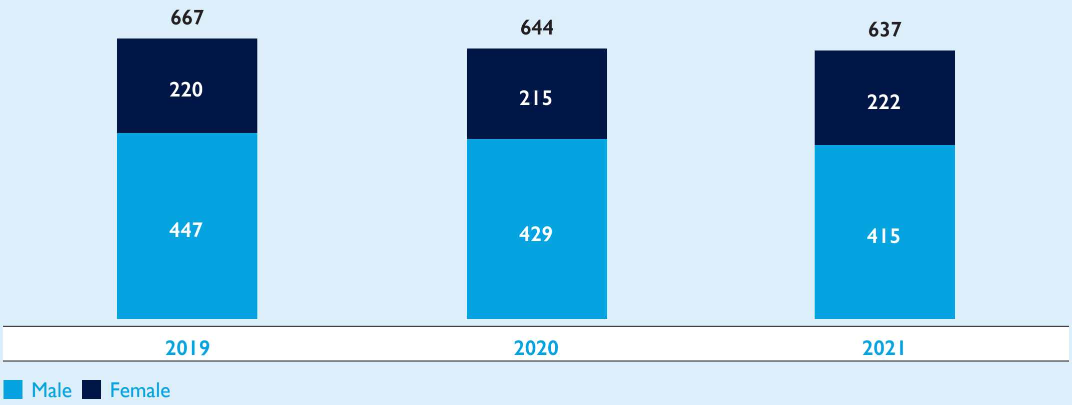
NIBC's *Talent Programme* and *Dare to Develop* programme are our dedicated training programmes for early and mid-career, employees. The Talent Programme is a one year talent development programme which we offer to recent university graduates to kick-start their career at NIBC. During 2021, the employees enrolled in the Talent Programme focused on a series of sustainability challenges designed to strengthen team-building, presentation skills, and developing products to address societal needs.

The Dare to Develop programme is a one year invitation-only programme aimed at our talented young professionals at mid-career level. The programme is developed in close cooperation with the participants and enhances personal effectiveness in influencing, consulting, negotiation and innovation.

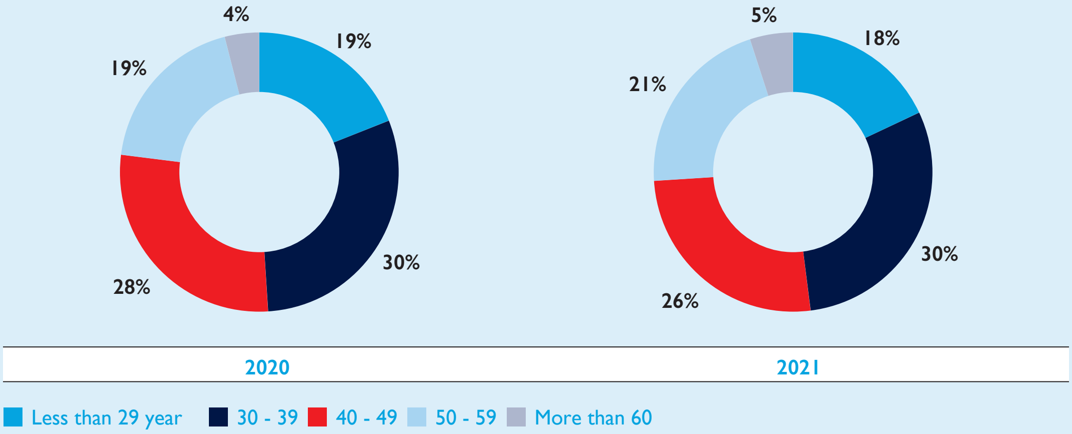
Our people - main indicators

- Engagement and commitment of our employees, as measured by our Employee Experience Survey, remained stable. From 80% in 2020, committed employees are now 76%. We have improved engagement level to 40% from 37% last year.
- Our attention to diversity and equality is reflected in several indicators. NIBC's workforce shows a balanced distribution over the different age groups. The gender pay ratio (ratio of average pay of women to men) is close to 1 across the various seniority levels.
- Diversity is also reflected in the variety of nationalities represented in our workforce. At the end of 2021, we had 33 different nationalities in the NIBC workforce.

Number of FTEs by gender



Age distribution of employees



Gender pay ratio

Gender Pay Ratio by level (GRI 405-2) *	2021	2020	2019
Professional Support	0.9	0.8	0.9
Analyst	1.0	1.0	1.0
Associate	1.1	1.0	1.1
Vice President	1.1	1.1	1.1
Associate Director	1.1	1.1	1.1
Director	1.1	1.0	1.1
Managing Director	0.8	0.9	0.9

PERFORMANCE EVALUATION

In the following table, we measure NIBC's performance against the strategic priorities as described in the 2020 annual report.

STRATEGIC PRIORITIES	PERFORMANCE
Continuous evolution of our client franchise, expertise and proposition	+ The OTM proposition for mortgage loans has been further diversified, leading to 30% increase in mandates to EUR 12.7 billion.
	+ After successful introduction of new mortgage label 'Lot Hypotheken', this label grew to approximately 1.6 billion (2020: 0.7 billion).
	+ Growth in the new small CRE product offering through the OIMIO label.
	+/+ NPS for corporate clients increased to +59% (2020: +30%). The customer satisfaction survey score for NIBC Direct mortgages increased to 8.1 (2020: 8.0).
	+ Active management of the portfolios and offering to clients resulting in identified non-core of corporate offering and termination of the M&A services.
Focus on growth of asset portfolio in core markets	+ Strong origination of both owner-occupied (EUR 3.2 billion) and BtL mortgage loans (EUR 0.4 billion).
	+ Acquisition of the Finqus portfolio in November 2021 with a total volume of 1.4bn of residental mortgage loans.
	+ Origination within NIBC's core corporate asset classes has led to growth of the asset-backed portfolio, even though this volume has been offset by a controlled decrease in the non-core portfolio.
	+ An increase of corporate OTM positions of 46% to EUR 1.5 billion.
Diversification of income	+ The continued growth of our OTM mortgage offering in 2021 has supported an increase of NIBC's fee income, as the contribution from this activity increased to EUR 34 million fee income within Retail client offering (2020: EUR 27 million).
	- Termination of the M&A services, will lead to lower fee income going forward (2021: EUR 2 million, 2020: EUR 2 million).
Building on existing agile and effective organisation	+ NIBC has been able to address the challenges of COVID-19 in an effective way, making use of the agility

STRATEGIC PRIORITIES	PERFORMANCE
	and creativity of the organisation. Throughout 2021, we have continued working remote without any major disruptions.
	+ First year as privately owned company, following delisting in February 2021, allowing us to fasttrack strategic initiatives.
Ongoing investment in people, culture and innovation	+ EUR 2,773 per employee spent on training and educational programmes (2020: EUR 1,882), even during these unprecedented times.
	+ Successful continuation of internal training programmes for junior and medior staff.
	+ Support of our staff in working from home, facilitating them with relevant tools and hardware.
	+/- It will be a challenge how to on-board new employees and to stimulate the return to the offices in the post-COVID new way of working.
	+/- The strategic focus provides opportunities to grow, however, it will be essential to engage on the broader agenda.
Further optimisation of capital structure and diversification of funding	+ Strong CET 1 ratio of 19.0%, providing room to invest and absorb new regulatory requirements.
	+ Improvement of NIBC's funding spread.
	+ Strong LCR ratio at 184%.

In 2018, we announced our medium-term performance objectives. These objectives were set before COVID-19 and the delisting. At this point, NIBC has not adjusted its ambition levels towards its medium term objectives. Periodically, we will review these and will inform the market accordingly. Performance on the medium term objectives is discussed in the Financial review section.

Based on the current state of affairs, the performance in 2021 in relation to both the strategic priorities and the medium-term objectives, preparation of the financial reporting on a going-concern basis is justified.

SWOT ANALYSIS

As part of our annual planning cycle, we assess NIBC's position in the market and the opportunities and challenges present while also reflecting on the strengths and weaknesses of NIBC.

STRENGTHS	WEAKNESSES
■ Proven capability to adapt to changing circumstances as a player in identified markets. Continuously exploring new opportunities, developing new activities and finding new pockets of growth in underserved parts of the market; ■ Medium size allows for flexibility to adapt to a changing world and to respond to opportunities this presents; ■ Employees who are professional, entrepreneurial, inventive; ■ Strong capital base and liquidity positions, enabling us to absorb shocks and act on opportunities.	■ Limited market share reduces NIBC's ability to influence pricing, with a possible negative impact on net interest margin and net fee income; ■ No direct access to USD funding and dependency on cross-currency swaps. ■ A more focussed bank also puts pressure on the organisation.

OPPORTUNITIES	THREATS
■ Strong support from new ownership for growth strategy; ■ Expansion of the OTM model, enhancing earning potential and diversifying the income model; ■ Creation of an ecosystem where flexibility and speed of fintechs are combined with the resources, reliability and financial backing of a regulated institution. ■ As a consequence of the fasttracking of the strategy, NIBC will become a more focussed bank, which will enable us to further streamline the organisation.	■ Uncertainty regarding the long-term impact of the COVID-19 pandemic; ■ Prolonged systemic low interest rate environment with abundance of liquidity and high inflation in the eurozone; ■ Lacking scale to permanently invest in our licence to operate, including AML, KYC and other regulatory related requirements such as Basel IV.

Recent developments

NIBC operates in an environment that is characterised by continuous change. This section highlights several developments and the relevance for NIBC Bank N.V. and its parent company NIBC Holding N.V.'s operations.

Delisting and statutory buy-out procedure

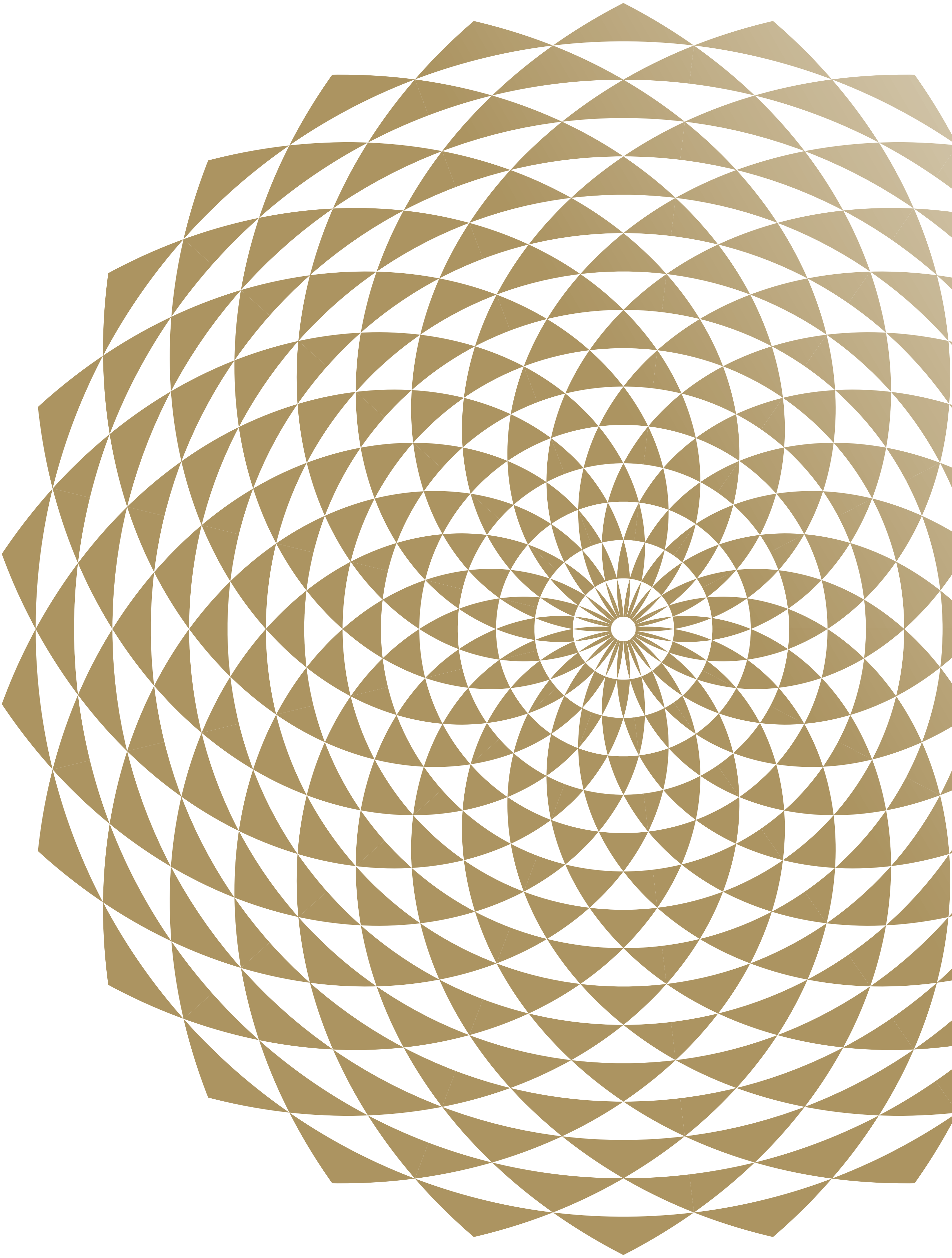
Upon settlement of the shares tendered during the Post Acceptance Period on 14 January 2021, the total number of shares held by Blackstone or its group companies was 143,083,544, representing approximately 97.68% of the aggregate issued and outstanding share capital of NIBC Holding N.V.. As a consequence the listing and trading of the ordinary shares of NIBC Holding N.V. on Euronext Amsterdam has been terminated on 18 February 2021. At the beginning of March 2021, Blackstone has commenced the statutory buy-out procedure ('uitkoopprocedure') in accordance with article 2:359c or, alternatively, article 2:92a of the Dutch Civil Code to acquire the remaining shares that are not yet held by Blackstone or its group companies. On 10 February 2022, a public hearing took place at the Enterprise Chamber in relation to the buy-out procedure, as two minority shareholders have submitted a joint statement of defence. A decision of the Enterprise Chamber is expected end of March 2022. NIBC Holding N.V. is no party in this process

New definition of default and forbearance policy

As of January 2021, NIBC has implemented its new definition of default and forbearance policy in order to ensure full compliance with the applicable regulation. Main changes were made to the retail framework. In particular, we have added an unlikeliness to pay framework and materiality thresholds to the assessment of our retail portfolio. We have also introduced a cure period for retail exposures to leave the default classification. In the corporate segment, we further clarified the cure period and aligned our watchlist procedures with the unlikeliness to pay framework. This new framework clarifies our classification of defaulted and forborne loans and mortgages. These adjustments will be included in reporting as of 2021.

Brexit

With a branch office located in London and various activities carried out in the UK on a cross-border basis from the Netherlands, NIBC has implemented measures to ensure its ability to continue its UK business notwithstanding the expiry of the Brexit transition period. As of 31 December 2020, NIBC entered into the UK's *Temporary Permissions Regime* (**TPR**) and is regulated in the UK by the Financial Conduct Authority. NIBC is in the process of applying to the FCA for a third country branch license which, once granted, will lead to NIBC exiting the TPR. Notwithstanding the arrangements made, which ensure NIBC's ability to continue its operations in the UK largely as before the end of the transition period from a regulatory perspective, NIBC remains exposed to the general uncertainty of how the UK's ongoing relationship with the EU may evolve. Developments in the relationship between the UK and the EU, and in particular the question of whether regulation in the UK may diverge, will only become clear over time. These factors may negatively impact both the macro-economic climate in the UK and our clients.



REPORT OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board looks back with due pride on 2021. This was the first year under the new ownership of the Blackstone Group in which important next steps were taken in relation to the strategic direction of NIBC. COVID-19 still played an important role in (business) life and hybrid working and hybrid meetings were unfortunately still the standard throughout the year.

The composition of the Supervisory Board changed considerably in 2021. The Supervisory Board onboarded 4 new members, 3 of whom were appointed on behalf of the new majority shareholder. One new independent member joined the Supervisory Board, bringing the number of independent members to 5, with in total 8 Supervisory Board members. The changed composition also had its impact on the dynamics within the Supervisory Board and much time was spent on getting to know each other, the ways of working and understanding the dynamics under new ownership. The Supervisory Board was pleased that a live meeting with the full Supervisory Board and Managing Board could take place in September. In the self-assessment that was performed under external guidance in November also the dynamics among the different board members and the relation towards the new shareholder were important topics.

In the June meeting, the Supervisory Board discussed NIBC's medium-term strategy and how best to deploy its capital. The strategic discussion was further finetuned in September and led to the announcement made in November to increase its focus on asset-backed financing. This updated strategy has also meant that NIBC had to adjust its organisation towards this sharpened strategy, resulting in a reduction of the workforce in 2021 and 2022, including Executive Committee member Caroline Oosterbaan. Saying goodbye to employees is always difficult from a personal perspective, however, it is a necessary step to allow NIBC to focus and invest in mortgages, asset-backed & specialised finance and its platforms. It was an impactful decision to end our presence in the German corporate market, which was motivated by the fact that the German market is overbanked and that NIBC is a small player with limited impact.

In order to further support the accelerated growth path, the Supervisory Board reviewed the top structure of the bank. Mr. De Wilt is eligible for reappointment as CEO in 2022 and the Supervisory Board is pleased to be able to reappoint him after the upcoming Annual General Meeting of Shareholders for another four years. As per 1 January, Jurre Alberts joined as Executive Committee member responsible for Corporate Development, increasing NIBC's capability to explore opportunities for organic and inorganic growth. The Supervisory Board also discussed with the Managing Board how to further enhance the capabilities relating to data and technology.

The 2021 results were strong with interest income modestly lower than in 2020 and very strong investment income. With these results, return on equity returned to within the targeted range of our medium-term objectives. The Supervisory Board is pleased with the solid CET1 ratio, which is well above the minimum target of 14% and will enable the company to pursue organic and inorganic growth opportunities. The updated strategy will have its impact on the medium term targets and will be reviewed in June 2022. For now the targets were left unchanged.

We are pleased that the acquisition of the Finqus portfolio could be closed in November 2021. This transaction is a good example of inorganic growth.

During the year, members of the Supervisory Board had several regular interactions with the Dutch Central Bank to discuss the developments within NIBC.

Executive Committee

In 2021, the Executive Committee (ExCo) comprised of the three Managing Board members together with Saskia Hovers and Caroline Oosterbaan (both Corporate client offering) and Michel Kant (Retail clients). As per 1 January 2022, Ms. Oosterbaan stepped down from the ExCo. We would like to thank Ms. Oosterbaan for her commitment and contributions towards NIBC for more than eight years and would like to wish her a lot of success with her next steps. As per January 2022, Mr. Alberts joined NIBC as non-statutory member of the Executive Committee as head of Corporate Development.

The members of the Managing Board and the non-statutory members of the Executive Committee attended all regular meetings of the Supervisory Board. In addition to the regular informal contacts with the non-statutory members of the Executive Committee, the Supervisory Board stays closely tuned with all developments throughout the focus areas of the individual ExCo members.

Composition of the Supervisory Board and changes in 2021

Throughout the year, NIBC's Supervisory Board has performed its duties towards the company's stakeholders, and had full access to all necessary information and company officers and staff members. We would like to extend our gratitude to all relevant stakeholders for providing us this information.

NIBC was taken over by The Blackstone Group on 30 December 2020. This also impacted the composition of the Supervisory Board. Two representatives of The Blackstone Group were appointed to the Supervisory Board directly at closing end 2020 and Mr. Wijn was appointed to the Supervisory Board in March 2021 on behalf of the majority shareholder. As per 1 October 2021, Ms. Boeren was appointed as independent member of the Supervisory Board, bringing the total to eight members.

As per 31 December 2021 the Supervisory Board comprised of three female and five male members of various nationalities. Five members of the Supervisory Board are independent members. The other three are representatives of NIBC's majority shareholder.

As at 31 December 2021

Name	Year of birth	Nationality	Member since	End of term	Committee memberships[1]
Mr. D.M. Sluimers *(Chairman)*[2]	1953	Dutch	2016	2024	AC, RPCC, RNC, RPTC
Ms. A.G.Z. Kemna *(Vice-Chair)*[2]	1957	Dutch	2018	2022	AC, RPCC, RPTC
Mr. Q. Abbas	1976	British	2020	2025	RPCC
Ms. L.M.T. Boeren[2]	1963	Dutch	2021	2025	RNC
Mr. N.D.E.D. El Gabbani	1981	Canadian	2020	2025	RNC
Mr. J.J.M. Kremers[2]	1958	Dutch	2019	2023	AC, RPCC, RNC, RPTC
Mr. J.G. Wijn	1969	Dutch	2021	2025	AC, RPCC
Ms. S.M. Zijderveld[2]	1969	Dutch	2018	2022	AC, RNC, RPTC

1 AC - Audit Committee; RNC – Remuneration and Nominating Committee; RPCC – Risk Policy and Compliance Committee; RPTC – Related Party Transaction Committee.
2 Meets the independence criteria of the ESMA and EBA joint "Guidelines on the assessment of the suitability of members of the management body and key function holders".

Diversity and succession

The Supervisory Board is confident that its current composition and that of its Committees fully contributes to fulfilling its tasks. The Supervisory Board is pleased with the knowledge and experience the representatives of the majority shareholder bring to the Supervisory Board as well as the company. As changes always bring new perspectives, the Supervisory Board is convinced that the changes that took place at the end of 2020 as part of the transaction with Blackstone will contribute to further diversity especially in terms of skills. In the case of a vacancy, the regular policy is applied in which an Executive Search firm is asked to provide a shortlist with at least 50% female candidates, although final selection is ultimately based on the suitability for a specific position.

Additional functions

Since the Dutch Act on Management and Supervision came into force on 1 January 2013, we have been monitoring the number of supervisory functions held by our Supervisory Board members. The profile for the Supervisory Board and their relevant ancillary positions can be found on our website.

Meetings of the Supervisory Board

The Supervisory Board met on six regular occasions in 2021. This included four regular two-day meetings in March, June, September and November and one-day meetings in March and August to discuss the full year and the half year results. One member of the Supervisory Board was absent in one regular meeting in 2021. All other members of the Supervisory Board were present in all regular meetings in 2021.

Four additional calls were held with the full Supervisory Board during the year. Topics of these additional calls were the 2022 budget, strategic projects as well as the strategic focus that was communicated in November. In addition one additional call was held with the independent members of the Supervisory Board to discuss strategic projects.

The members of the Managing Board as well as the non-statutory members of the Executive Committee attended all regular meetings of the Supervisory Board. Additionally, two members of the Supervisory Board attended two meetings between the Chief Executive Officer and the Works Council. These two members of the Supervisory Board also had two meetings with the Works Council without management being present.

During the meetings held in 2021, discussion took place on different (strategic) topics such as the Corporate and Retail client offering, risk management, IT, the funding profile, remuneration and the increased regulatory requirements, also in relation to internal modeling. The 2021 quarterly and interim results were discussed as well as the payout of the final dividend 2019 (as included in the de-listing process), the postponed payout of the final dividend 2020, the interim dividend 2021 and the budget for 2022. As of the summer the strategic update was discussed extensively.

The Supervisory Board also continued its permanent education (PE) programme, Topics discussed were retail mortgages, stress testing and concentration risk, ESG, Regulatory Affairs and leasing. Topics for the Permanent Education sessions are chosen in cooperation with the Remuneration and Nominating Committee, also based on the input gained from assessing the competence and suitability matrix of the Supervisory Board.

The four Supervisory Board committees

Most of the regular discussions and decisions of the Supervisory Board were prepared in the four committees referred to below. The committees of the Supervisory Board each have an independent chair.

Audit Committee

The *Audit Committee* (**AC**) assists the Supervisory Board in monitoring NIBC's systems of financial risk management and internal control, the integrity of its financial reporting process and the content of its annual and semi-annual financial statements and reports. The Audit Committee also advises on corporate governance and internal governance.

The AC met on four regular occasions in 2021 (March, June, September and November) in presence of the members of the Managing Board. In May 2021, an additional meeting was held to meet the new signing partner of Ernst & Young that became responsible for NIBC's audit. By mutual agreement the external auditor was represented at all meetings of the AC in 2021. The external auditor had regular meetings with the AC without the members of the Managing Board being present.

The chairman of the AC prepared the meetings in advance by having meetings and calls with NIBC's *Chief Financial Officer* (**CFO**), the head of Finance and the head of Internal Audit. In between meetings, NIBC also actively shared relevant information with the chairman.

In 2021, the AC extensively reviewed NIBC's quarterly financial highlights, interim and annual financial reports and related press releases. It discussed the draft reports of the external auditor, including its Audit Results Report, before the reports were discussed in the Supervisory Board meeting. In the AC the Finqus acquisition was extensively discussed and the impact of this acquisition on the funding and capital profile of the bank.

The AC had in-depth discussions about NIBC's financial performance, including the development of the bank's net profit, business growth and the development of spreads and the cost/income ratio. Furthermore, the AC reviewed NIBC's funding profile and the development of related liquidity and solvency ratios, and in the November meeting, the capital planning for the coming years was discussed. The AC was informed specifically on developments in the area of ESG.

Specific topics discussed with the auditor dealt with loan loss provisioning including the management overlay, outsourcing monitoring, new developments and their impact on financial figures. The Management Letter 2021 was discussed in the November meeting. Main topics in the Management Letter are the ECL model performance and the management overlay as well as system/application access management in the IT environment. Also remote working and cybersecurity were a topic.

Next to the regular topics mentioned before, the AC also discussed and has taken notice of management views and arguments on the interpretation of the ECB/EBA guidelines, budget 2022 and the Covid-19 impact on NIBC's financial performance. The external auditor also reported on its independence towards the AC which was further discussed by the AC.

The AC took note of and discussed NIBC's interactions with DNB. As part of the yearly cycle, the AC discussed the main observations made by DNB in its annual SREP letter and the impact on the business and capital position of the bank. The AC took note of the follow-up of DNB's observations from previous on-site examinations.

The AC discussed the annual plan and quarterly reports of Internal Audit, and evaluated Internal Audit's charter. The AC continued to take note of the (timely remediation of) Measures of Improvement, which are generally based on observations by DNB, the external auditor and internal audit. Both the internal and external auditor reported on the quality and effectiveness of governance, internal control and risk management.

Risk Policy & Compliance Committee

The Risk Policy & Compliance Committee (RPPC) assists the Supervisory Board in overseeing NIBC's risk appetite, risk profile and risk policy. It prepares matters in these areas for decision in the

Supervisory Board by presenting proposals and recommendations on credit, market, investment, liquidity, operational and compliance/regulatory risks, and any other material (non) financial risks to which NIBC is exposed. Next to these topics, also the rating of NIBC Bank and the annual review meetings with the rating agencies and the actions taken by the rating agencies, were discussed. The RPCC met four times in 2021 in the presence of the members of the Managing Board.

During 2021, the RPCC extensively discussed NIBC's assets, liquidity and funding, stress tests and risk profile. The increasing regulatory demands including market sentiment, onsite investigations by regulators and the impact of Covid-19 were frequent topics on the agenda of the RPCC. NIBC's operating environment and its internal processes and controls in light of mitigating potential risks remained important themes.

In 2021, NIBC's remediation plan and progress of the regulator's Internal Model Investigation were thoroughly discussed. The RPCC continued to focus on the operational risk profile and in-control environment, including amongst others specific risks such as information security, new product approvals, compliance and regulatory risk including the demanding regulatory environment. The committee also reviewed the risk assessments of new business initiatives, evaluated how risk awareness is embedded in NIBC's organisation, as well as its own functioning.

NIBC's long-term objectives as well as updates to the risk appetite framework, involving new metrics and revised limits remained on the agenda. Strategic planning including the reduction of certain portfolios was a recurring subject as was the potential Basel IV impact.

Besides risk appetite and the quarterly reporting on the subjects received by the committee, the RPCC discussed in all of its meetings segments of NIBC's corporate and retail credit portfolios, including appropriate risk measurement parameters for portfolio performance, and the bank's distressed portfolio. Other topics the RPCC regularly reviewed included risks of the macroeconomic environment, such as the availability of foreign currency funding, and the impact of COVID-19.

Further, on the non-financial risk side, the RPCC reviewed NIBC's franchise as reflected in the experience of its customers, the relation with the regulators, the views of the rating agencies and regularly reviewed and discussed regulatory, societal, ESG and market developments and their impact on NIBC, such as systematic integrity risk analysis, Basel IV, sustainability, residential mortgage loans interest rates, Euribor and interbank benchmarks. Also the Finqus acquisition and its impact from risk perspective was discussed.

Remuneration and Nominating Committee
The *Remuneration and Nominating Committee* (**RNC**) advises the Supervisory Board on the remuneration of the members of the Supervisory Board, the Managing Board and certain other senior managers. In addition, it provides the Supervisory Board with proposals for appointments and reappointments to the Supervisory Board, its committees and the Managing Board.

In March 2021, Mr. Wijn was appointed as member of the Supervisory Board and to the AC and RPCC. As per 1 October 2021, Ms. Boeren was appointed as member of the Supervisory Board and to RNC.

The RNC also assesses the performance of the members of the Managing Board and the Supervisory Board and has at least annual meetings with the individual MB members on their performance and team work. Please refer to the Remuneration Report for further detail.

The RNC monitors the remuneration policy as well as the execution of it, which entails discussing the total remuneration and defining the collective and individual performance targets that form the basis for the total remuneration of individual members of the Managing Board. Furthermore, the committee oversees the remuneration of the so-called Identified Staff employees whose professional activities have a material impact on NIBC's risk profile and determines the remuneration of the control functions.

In 2021, the RNC held seven meetings, all in the presence of NIBC's head of Human Resources and, in appropriate cases, of NIBC's CEO. Furthermore the RNC has had various calls with advisors and stakeholders in light of the new appointments to the SB. Additionally, the chair, on behalf of the RNC, attended a meeting of the control functions. The RNC discussed the regular subjects regarding remuneration, risk and audit assessments, governance and variable income as well as, based on the evaluation of the composition of the Supervisory Board and its committees, the suitability policy and the requirements for the Supervisory Board and its committees were discussed.

Remuneration management

The RNC reviewed the Remuneration Policy this year, taking into account relevant legislation and guidelines, amongst others the European Banking Authority (EBA) guidelines on sound remuneration policies. Besides legislation, the RNC has taken market circumstances and developments into consideration. The positioning of NIBC in relevant labour markets was monitored by means of benchmark surveys. In order to determine appropriate market levels of remuneration for the members of the MB, an analysis is made of comparable European financial institutions that are or were Private Equity-owned. At the moment of determination the level of total compensation for the Chairman and the members of the MB are targeted just below the median of their peers in the aforementioned analysis.

Attention was also paid to broader developments in society, as the RNC is well aware of public views about remuneration including in the financial industry. The Supervisory Board amended the remuneration policy, fulfilling all legislative changes as proposed by the RNC. The RNC also discussed the performance of the Managing Board, the Executive Committee and its members. The Remuneration Policy was approved by the shareholders in April 2021.

Given the importance of the subject, the RNC extensively discussed the overall available funding for variable compensation and determined the proposed distribution to Identified Staff. In this respect, the risk assessments (including malus and clawback assessments) were discussed and taken into account in the decision making. The surrounding governance and the developments in the area of governance and legislation were explicitly discussed in the RNC, given the sensibility of the subject of remuneration. The Committee also determined the obligatory disclosures on the Identified Staff and on the remuneration policy.

Succession management

In its meetings the RNC has closely monitored management development and succession management throughout the bank. The Committee's chair held regular talks with senior managers to gain a deeper understanding of their professional development and of internal developments taking place within the bank.

Related Party Transactions Committee

The *Related Party Transactions Committee* (**RPTC**) assists the Supervisory Board in assessing material transactions of any kind with a person or group of persons who hold, directly or indirectly, at least 10% of NIBC's issued and outstanding share capital, or at least 10% of the voting rights at the Annual

General Meeting of shareholders. The same applies to any person affiliated with any such person(s) that meet(s) these criteria. A transaction will, in any event, be considered material if the amount involved exceeds EUR 10 million and/or that is considered inside information. The Supervisory Board has delegated the authority to approve such material transactions to the Related Party Transactions Committee.

In 2021 no meetings of the RPTC took place.

Financial statements

The company and consolidated financial statements have been drawn up by the Managing Board and audited by Ernst & Young Accountants LLP, who issued an unqualified opinion dated 3 March 2022. The Supervisory Board recommends that shareholders adopt the 2021 Financial Statements at the Annual General Meeting. The Supervisory Board also recommends that the Annual General Meeting of shareholders discharge the Managing Board and Supervisory Board for their respective management and supervision during the financial year 2021.

The Supervisory Board would like to express its gratitude to all stakeholders who continued supporting NIBC also in 2021, most notably to our over 700 highly professional, entrepreneurial and inventive employees, including the employees NIBC had to let go at the end of 2021. Thanks to their skills, expertise, agility and dedication NIBC could achieve these results in these challenging times.

The Hague, 3 March 2022

Supervisory Board

Mr. D.M. Sluimers, *Chair*
Ms. A.G.Z. Kemna, *Vice-Chair*
Mr. Q. Abbas
Ms. L.M.T. Boeren
Mr. N.D.E.D. El Gabbani
Mr. J.J.M. Kremers
Mr. J.G. Wijn
Ms. S.M. Zijderveld

CORPORATE GOVERNANCE

At NIBC, we endeavour to maintain a sound, transparent and effective governance system that is aligned to best practices in our industry.

NIBC's corporate governance structure has been organised to achieve effective corporate governance. In this structure we promote a constructive and transparent cooperation between our shareholders, the Supervisory Board and its subcommittees, the Managing Board and the Executive Committee.

This chapter contains some highlights of our governance structure in 2021. The structures and processes we have developed provide an effective basis for making and implementing decisions across our organisation, with its hierarchical and functional reporting lines.

Our website contains our articles of association, charters, relevant policies and other information on corporate governance and the compliance statement with respect to the Dutch Banking Code. To the extent applicable, NIBC also adheres to international governance standards such as the EBA Guidelines on Internal Governance.

Two-tier board structure

NIBC Bank N.V. , has voluntarily adopted a two-tier board structure. It has been agreed in the charter of the Supervisory Board that the composition of the Supervisory Board of NIBC Bank N.V. will be identical to the composition of the Supervisory Board of parent company NIBC Holding N.V.

As a result, NIBC maintains a two-tier board structure consisting of a Managing Board and a Supervisory Board. The Managing Board is responsible for the day-to-day management, which includes, among other things, formulating NIBC's strategy and policies and setting and achieving NIBC's objectives. The Supervisory Board supervises and advises the Managing Board. It is the Board's priority to protect the interests of the company and its operations, rather than the interests of any particular stakeholder.

Managing Board

In 2021, NIBC had three Managing Board members. These members have thorough and in-depth knowledge of the financial sector in general and the banking sector in particular.

For the composition of the Managing Board as per 31 December 2021, refer to the following table:

Name	Year of birth	Nationality	Member since	End of term[1]
Mr. P.A.M. de Wilt (CEO, Chairman)	1964	Dutch	2014	2022
Mr. H.H.J. Dijkhuizen (CFO, Vice-Chairman)	1960	Dutch	2013	2023
Mr. R.D.J. van Riel (CRO)	1970	Dutch	2016	2024

1 These are the dates until which the appointment as statutory director runs. They do not refer to the expiry of employment contracts.

In case of a vacancy in the Managing Board, the regular policy is applied and the Executive Search team is asked to provide a shortlist with at least 50% female candidates, although final selection is ultimately based on the suitability for the position. NIBC strives for a good gender balance at Managing Board level.

Executive Committee

As at 1 January 2017 an Executive Committee was formed consisting of the three Managing Board members and three non-statutory members representing the commercial functions. In 2021, the

Executive Committee consisted of two female members and four male members. The Managing Board and the Executive Committee, which meet weekly, represent and balance the interests of all stakeholders. The non-statutory Executive Committee members participate in the discussions in meetings, but are not entitled to a vote.

As per 1 January 2022, Ms. Oosterbaan, one of the non-statutory members of the Executive Committee stepped down from the Executive Committee. As per the same date, Mr. Alberts, joined NIBC as non-statutory member of the Executive Committee as head of Corporate Development.

In 2021, there were no transactions in which the members of the Managing Board or the members of the Executive Committee had a conflict of interest. More information about the Managing Board and the Executive Committee, including short biographies, can be found on our website.

Supervisory Board

On 31 December 2021, the Supervisory Board of NIBC consisted of eight members with extensive, international expertise in fields such as banking and finance, corporate governance and corporate management. In 2021, Mr. Wijn and Ms. Boeren were appointed as members of the Supervisory Board. For more information on our Supervisory Board, including a complete list of all members and Committees, please see the Report of the Supervisory Board in this Annual Report or visit our website.

Dutch Banking Code

The Dutch Banking Code, that came into effect as legislation on 1 January 2015, together with the introduction of the Social Charter and the implementation of the Bankers' Oath, is applicable to all employees of financial institutions in the Netherlands. NIBC supports the principles of the Banking Code to regain trust, ensure stability and protect the interests of our stakeholders.

NIBC has implemented all procedural and operational measures required under the Dutch Banking Code. Our governance is fully aligned with the Banking Code. We also aligned our remuneration policies for staff and Managing Board with the Banking Code. Ever since the code came into effect, we have been running a programme for lifelong learning and hold regular training sessions for the Managing Board and the Supervisory Board, as is required by the Banking Code.

Among other things the Banking Code requires banks to operate in a sound and ethical way. Our mission, strategy and objectives reflect this; they can be found on our website . Being in line with this are the NIBC3, our three corporate values: professional, entrepreneurial and inventive. The NIBC3 are the foundation of all our company's activities, including our products and services, as well as our general performance, behaviour, attitude and the targets we set for our employees. Integrity is considered an essential part of the core value 'professional'.

NIBC's Code of Conduct guides us in the way we work at NIBC. Key themes are: doing the right thing, following the letter and the spirit of rules and doing what we say. You can find the Code of Conduct, including a one page abbreviation for daily use, on our website . A detailed explanation of the Dutch Banking Code and an overview of NIBC's compliance with it can also be found on our website.

Capital structure

NIBC Bank's authorised share capital amounts to 183,597,500 shares. On 31 December 2019, a total of 62,586,794 ordinary shares were issued, all of the owned by the parent company, NIBC Holding.

REMUNERATION REPORT

The Supervisory Board reviewed and amended NIBC's remuneration policies in 2021 for the Supervisory Board and Managing Board. The review took into account all relevant laws, regulations and guidelines; the Dutch Banking Code; the DNB Principles on Sound Remuneration Policies (DNB principles), EBA Guidelines on Sound Remuneration; CRD V and the Dutch remuneration legislation for financial services companies ((Regeling beheerst beloningsbeleid van banken (RBB) and Wet beloningsbeleid financiële ondernemingen, WBFO).

NIBC's remuneration policies of the Managing Board and Supervisory Board for 2021 are outlined in this chapter. An overview of the remuneration components of other staff is also presented. Please see our website for further information about the remuneration policies of the MB and SB.

To avoid unnecessary duplication, we refer to note 8 and 49 of the Consolidated Financial Statements in this Annual Report for all relevant tables. These are considered to be an integral part of this Remuneration Report.

Remuneration principles

NIBC's remuneration policy is sustainable, balanced and in line with our chosen strategy, risk appetite and sustainability ambitions. It revolves around these six key principles: remuneration is (i) aligned with NIBC's business strategy, risk appetite and sustainability ambitions; (ii) appropriately balanced between short and long term; (iii) differentiated and linked to the achievement of performance objectives and the results of NIBC; (iv) externally competitive and internally fair; (v) managed in an integrated manner that takes into account total compensation and (vi) is determined in a gender neutral way.

Managing Board remuneration in 2021

In order to determine appropriate market levels of remuneration for the Managing Board, the Supervisory Board has identified a benchmark peer group, consisting of comparable European financial institutions that are or were private equity-owned. The composition of this peer group reflects the labour market in which NIBC competes for talent on Managing Board level. As such, it is an objective measure not based on an individual data point selected by NIBC.

Throughout the cycle, total compensation for the CEO and members of the Managing Board is targeted just below the median of their peers in the amended peer group, based on benchmark data provided by external independent compensation consultants and publicly available information. The positioning just below the median of the peer group is in line with the Dutch Banking Code.

Base salaries

In consideration of changed circumstances the total remuneration of the Managing Board has been looked at in 2021 and has been amended per 1 January 2021 (after approval by the General Meeting on 16 April 2021) taking into account the new ownership and amended peer group. In 2021, the base salary for the CEO was EUR 1.481.868 gross per year (2020: EUR 987.912). The base salary for the two other members of the Managing Board was EUR 1.077.723 gross per year (2020: EUR 718.482). Base salaries are paid in 12 equal monthly payments..

Variable compensation

The CEO and the other members of the Managing Board are not eligible for an annual performance based variable compensation. To ensure the necessary stability and continuity of the Company, following the acquisition of NIBC Holding N.V. by Blackstone, a one-off retention package has been introduced at acquisition date for the Managing Board members and a limited group of other selected senior staff members with a total magnitude of EUR 5.7 million of which EUR 4.4 million relates to the Managing Board. The condition of continued employment until 30 December 2021 has been met and the retention package (consisting of cash, deferred cash, *Phantom Share Units* (**PSUs**) and *Restricted PSUs* (**RPSUs**)) has been granted. For the Managing Board members a holding period of five years applies to the PSUs and RPSUs.

Pension

The CEO and other Managing Board members participate in the NIBC pension plan, in line with the arrangements available to all other employees. In 2021, the pension plan consisted of a) a collective defined-contribution pension arrangement (CDC arrangement) up to a (fiscal) maximum pensionable salary of EUR 112.189, and; b) an additional (gross) contribution of 25% up to their respective base salaries above the maximum pensionable salary . The retirement age for the CEO and other members of the Managing Board was 68 in 2021. There are no contractual early retirement provisions.

Over 2021, NIBC has paid a standard flat-rate contribution for the CDC arrangement of 27,0 % (for the Managing Board as well as for all other employees). All employees are required to make a personal contribution of 5,0% of their pensionable salary to the CDC arrangement. The gross contribution by NIBC for pensions above the (fiscal) maximum pensionable salary is set at 25%.

Other key benefits

The CEO and other members of the Managing Board are entitled to a company car up to a certain price limit or, if they prefer, the equivalent value of the lease car limit as a gross cash allowance. The CEO is entitled to the use of a permanent chauffeur from the chauffeurs pool whilst the other members of the Managing Board are entitled to the use of a chauffeur from the pool for business purposes only unless otherwise agreed by the Supervisory Board.

As is the case with all our employees, the members of the Managing Board are entitled to a contribution towards their disability insurance, accident insurance and permanent travel insurance.

The total amount of remuneration per individual Board Member split out in the separate components is shown below:

2021	Base salary	%	Variable compen-sation	%	One-off retention	%	Pension	%	Other key benefits	%	Total
Mr. Paulus de Wilt	1,481,868	39.8%	-	-	1,806,683	48.5%	387,563	10.4%	45,634	1.2%	3,721,748
Mr. Herman Dijkhuizen	1,077,723	39.7%	-	-	1,313,953	48.4%	282,850	10.4%	38,434	1.4%	2,712,960
Mr. Reinout van Riel	1,077,723	39.7%	-	-	1,313,953	48.5%	281,765	10.4%	38,434	1.4%	2,711,875

Employment contracts MB

The CEO and members of the Managing Board all have indefinite employment contracts. Their appointment to the Managing Board is for a maximum term of four years. The term can be renewed.

Any severance payment is limited to 12 months' base salary and will not be awarded if the agreement with the member of the Managing Board is terminated early at the initiative of the member of the Managing Board, or in the event of seriously culpable or negligent behaviour on the part of the member of the Managing Board.

Other staff remuneration

In line with the DNB Principles, employees whose professional activities have a material impact on NIBC's risk profile are designated Identified Staff. Specific remuneration conditions may apply to Identified Staff (other than Managing Board members). The outlines of the remuneration policies for Identified Staff and other staff are given below. For further details on the policies for Identified Staff, please see our website.

Total compensation funding

Each year, based on a proposal by the Managing Board, the Supervisory Board decides, at its discretion, on the overall amount of money available for total compensation, the amount of money available for variable compensation and the specific forms in which variable compensation may be awarded.

Variable compensation

Selected employees eligible for variable compensation have a pre-agreed set of financial and non-financial (at least 50%) performance targets. Their performance assessments take into account the achievement of pre-agreed targets, how they have behaved according to NIBC's corporate values, as well as their contributions towards the bank's longer-term objectives. Non-financial performance aspects include client satisfaction, employee satisfaction, transparency, and sustainability. The Dutch Banking Code serves as a guideline for all employees.

Whether or not an employee actually receives a variable compensation for his or her performance, is wholly discretionary and depends on the overall financial and non-financial performance of the bank, of the respective business unit, personal performance and relevant market levels of remuneration. Employees do not qualify for variable remuneration if their performance has been inadequate or poor, if they have failed to meet duty-of-care or compliance requirements, if they have displayed behaviour contrary to NIBC's policies and corporate values, or if they were subject to disciplinary action.

For employees the variable compensation, if any, is delivered in various components:
1. cash;
2. deferred cash;
3. vested PSUs;
4. unvested RPSUs.

The Managing Board determines the precise split between cash and equity-linked components, the proportion of deferred compensation and the form in which this is distributed (such as cash or unvested equity), whether a threshold applies for the deferred component and, if so, how high that threshold is.

For Identified Staff variable compensation is delivered in a pre-defined mix: 30% in cash, 20% in deferred cash, 30% in PSUs and 20% in RPSUs. In this way, NIBC complies with regulations that require Identified Staff to receive 50% of all variable compensation in the form of equity-linked instruments and for at least 40% of both the cash and equity linked component to be deferred. Since 2021, proportionality is introduced in the legislative framework with regards to remuneration (if an employee's variable compensation is lower than EUR 50.000 and is lower than 11.1% of the individual base salary, a payment may be made in cash only without a deferral period).

Special situations
Only in exceptional cases and only in the first year of employment the Managing Board can offer sign-on or guaranteed minimum bonuses to new employees. Additionally, the Managing Board can decide, in exceptional cases, to offer retention bonuses to existing employees. In the unlikely event that these bonuses amount to more than 100% of the base salary of the individual employee concerned, procedures will be followed in accordance with the regulations; the maximum ratio between fixed and variable remuneration will be respected.

Any severance payment made when NIBC terminates employment without cause, is subject to local legislation. For the Netherlands, the prevailing transition formula and, in the case of reorganisation, NIBC's Social Protocol, are applicable. Special compensation plans for specific groups of employees are subject to prior approval by the Managing Board, which annually informs the Remuneration and Nominating Committee and Supervisory Board about these arrangements.

Supervisory Board remuneration in 2021
The Supervisory Board remuneration policy 2021 has been approved by the Annual General Meeting in 2021. In order to determine appropriate market levels of remuneration for the SB, an analysis is made of comparable European financial institutions that are or were private equity-owned. As of 2021, the SB remuneration consists of basic fees and attendance fees.

The Chair, the Vice-Chair and the other members of the SB are entitled to an annual basic fee. The Chair and the members of a subcommittee are also entitled to an annual basic fee. In addition to the annual basic fees, the Chair and other members of the SB are entitled to further fees for the attendance of meetings. Such meetings qualify for an attendance fee in case the meeting lasts at least 1 hour, is planned in advance with an agenda, is minuted and when all members of the SB or committee are invited.

The Chair of the SB is entitled to an annual fee of EUR 135,000 (2020: EUR 79,059), the Vice-Chair of the SB is entitled to an annual fee of EUR 100,000 (2020: EUR 63,247)) and the other members of the SB are entitled to an annual fee of EUR 75,000 (2020: EUR 52,506).

In addition, all Chairs of the AC, RPCC and RNC of the Supervisory Board are entitled to an annual fee of EUR 20,000 (2020: 15,812). Members of the AC, RPCC and RNC are entitled to an annual fee of EUR 10,000 (2020: EUR 10,541). The members of the RPTC are entitled to an annual fee of nil (2020: nil). Per meeting, an attendance fee is applicable. For the Chair of the SB this equals EUR 5,000, for members of the SB this fee is EUR 4,000. For the Chair and members of a committee, it equals EUR 2,500. All members of the SB are entitled to reimbursement of genuine business expenses incurred while fulfilling their duties.

Remuneration governance
In line with the various recommendations and guidelines issued by regulators, NIBC has strengthened governance around the annual remuneration process and agreed upon key roles for the Human Resources, Risk Management, Compliance, Audit and Finance functions (control functions).

The Supervisory Board discussed the performance and remuneration of Identified Staff, as well as the performance and remuneration of control functions. The Supervisory Board also discussed the highest proposed variable compensations in 2021 Scenario analyses were conducted by Risk Management to assess the possible outcomes of the variable remuneration components on an individual and collective basis. The internal annual report 'Harrewijn' is discussed in the RNC as well as with the Works Council. This report provides information on the composition and development of compensation and benefits of its employees. Amongst others the report covers an internal pay ratio analysis.

In 2021, the base salary pay ratio of the CEO compared to the base salary of the other members of the Managing Board was 1.4 (2020: 1.4).

In 2021, the average base salary pay ratio of the Managing Board members compared to the base salary of the non-statutory members of the Executive Committee was 2.9 (2020: 1.9).

In 2021, the base salary pay ratio of the CEO compared to the median fulltime base salary of all employees was 19.4 (2020: 13.2).

Any vested amounts of variable remuneration are subject to clawback by the Supervisory Board in the event they have been based on inaccurate financial or other data, fraud, or when the employee in question is dismissed 'for cause'. Moreover, in exceptional circumstances, the Supervisory Board has the discretion to adjust downwards any or all variable remuneration if, in its opinion, this remuneration could have unfair or unintended effects. In assessing performance against pre-agreed performance criteria, financial performance shall be adjusted to allow for estimated risks and capital costs. In addition to clawbacks, the concept of 'malus' is part of the remuneration policy. This is an arrangement that permits NIBC to prevent vesting of all or part of the amount of deferred compensation in relation to risk outcomes of performance. Malus is a form of ex-post risk adjustment, one of the key requirements in addition to ex-ante risk adjustments. If an employee resigns, any unvested amounts of variable compensation are forfeited.

Conclusion

The RNC and the Supervisory Board believe NIBC's remuneration policy responsibly links performance and reward and is compliant with the applicable laws, regulations and guidelines. The Supervisory Board continues to believe in prudent management of remuneration whilst recognising that NIBC operates in a competitive market place where it needs to be able to attract, motivate and retain sufficient talent.

NIBC is determined to make a positive contribution towards fair compensation practices in the banking sector in consultation with its stakeholders. Furthermore, we aim to create the level playing field that regulators envisage with regard to variable compensation.

Determination Remuneration Report 2020

As a consequence of the delisting of the parent company (effectively as of 18 February 2021) the remuneration report 2020 was not subject to an advisory vote at the Annual General Meeting of NIBC Bank N.V. in 2021. In this report we explain how the Statutory Board and Supervisory Board remuneration policies are implemented and share details of remuneration awarded in 2020. As Blackstone, effectively as of 30 December 2020, owns indirectly NIBC Bank N.V. the remuneration report 2020 was directly discussed within Remuneration and Nominating Committee (RNC) and the Supervisory Board (SB). The RNC / SB decided not to change the contents and disclosures of the remuneration report 2020.

Disclosure on Dutch Remuneration Legislation for Financial Services Companies

The total amount of variable income granted in 2021 with respect to the performance over 2020, amounts to EUR 2.0 million. This grant consists of (direct and deferred) cash and (vested and unvested) equity-linked instruments. In 2021, three employees were awarded a total compensation of more than EUR 1 million (2020: one employee).

Disclosure on Shareholders Rights Directive

Due to the delisting of the parent company of NIBC Bank N.V. the Shareholders Rights Directive is not applicable anymore as of 18 February 2021. To prevent a hybrid situation in 2021, i.e. to present details of the development of the remuneration of every Statutory Board member until 19 February 2021 compared to 2020 and not thereafter for the period 19 February 2021 until 31 December 2021 compared to 2020, NIBC Bank N.V. opted for referring to note 8 Personnel expenses and share-based payments and note 49 Related party transactions were the information relating to remuneration of individual Statutory Board members that served NIBC Bank N.V. over the year 2021 compared to 2020 is fully disclosed.

IN CONTROL REPORT

The responsibilities of the Managing Board are anchored in the principles of the Dutch Financial Supervision Act (Wet op het financiële toezicht) and other regulations. These responsibilities include compliance with relevant legislation and the implementation and operation of risk management and control systems. These management and control systems aim to ensure reliable financial reporting and to control the downside risk to the operational and financial objectives of NIBC.

Risk management and control

In discharging its responsibility regarding internal risk management and control systems, the Managing Board acknowledges that in the normal course of business, shortcomings in processes and procedures arise. The Managing Board has made an assessment of the effectiveness of NIBC's internal control and risk management systems. Following identification of any shortcomings, mitigating controls are performed to determine that no material weaknesses or major control deficiencies remain. Based on this assessment and to the best of its knowledge, the Managing Board states that:

- the Report of the Managing Board in the Annual Report 2021 of NIBC provides a fair overview of and insight into the effectiveness as well as shortcomings of the internal risk management and control systems;
- NIBC's internal risk management and control systems provide reasonable assurance that NIBC's Annual Report 2021 does not contain any errors of material importance. To address identified weaknesses, additional mitigating controls have been performed where necessary;
- there is a reasonable expectation that NIBC Bank N.V. will be able to continue in operation and meet its liabilities for at least twelve months, as evidenced by the details included in 'performance evaluation', therefore, it is appropriate to adopt the going concern basis in preparing the financial statements;
- there are no material risks or uncertainties that could reasonably be expected to have a material adverse effect on the continuity of NIBC Bank N.V.'s enterprise in the coming twelve months.

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realisation of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations. Nor can they provide certainty that we will achieve our objectives.

Responsibility statement

In respect of Article 5:25c, Section 2 (c) (1 and 2) of the Dutch Financial Supervision Act, the members of the Managing Board of NIBC hereby confirm, to the best of their knowledge, that:

- The annual company and consolidated financial statements give a true and fair view of the assets, liabilities, financial position and income statement of NIBC and its consolidated group companies;
- The Report of the Managing Board gives a true and fair view of the situation on the balance sheet date and developments during the financial year of NIBC and its consolidated group companies;
- The Report of the Managing Board describes the material risks which NIBC faces.

The Hague, 3 March 2022

Managing Board

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

CONSOLIDATED FINANCIAL STATEMENTS

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Small differences are possible due to rounding

CONSOLIDATED INCOME STATEMENT

for the years ended 31 December in EUR millions	note	2021	2020
Interest income from financial instruments measured at amortised cost and fair value through other comprehensive income	2	489	528
Interest income from financial instruments measured at fair value through profit or loss	2	10	12
Interest expense from financial instruments measured at amortised cost	2	134	147
Interest expense from financial instruments measured at fair value through profit or loss	2	4	6
Net interest income		**361**	**386**
Fee income	3	46	43
Net fee income		**46**	**43**
Investment income	4	84	7
Net trading income or (loss)	5	(0)	(6)
Net gains or (losses) from assets and liabilities at fair value through profit or loss	6	14	(27)
Net gains or (losses) on derecognition of financial assets measured at amortised cost	7	(7)	3
Other operating income		0	-
Operating income		**497**	**407**
Personnel expenses and share-based payments	8	111	101
Other operating expenses	9	99	89
Depreciation and amortisation	10	5	5
Regulatory charges and levies	11	20	16
Operating expenses		**235**	**210**
Credit loss expense	12	35	134
Impairments of non-financial assets	12	-	1
Profit before tax		**226**	**62**
Tax	13	37	1
Profit after tax		**190**	**61**
Attributable to:			
Shareholders of the company		178	49
Holders of capital securities		12	12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended 31 December

in EUR millions	note	2021	2020
Profit for the year		**190**	**61**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of property and equipment	28	1	(1)
Movement in the fair value of own credit risk of financial liabilities designated at fair value through profit or loss	41	(34)	2
Items that may be reclassified subsequently to profit or loss			
Net result of hedging instruments	41	(4)	(3)
Financial assets measured at fair value through other comprehensive income (FVOCI)			
Movement in revaluation for debt investments at FVOCI	20/41	(2)	-
Income tax effect on net current period change		(1)	-
Total other comprehensive income		**(39)**	**(2)**
Total comprehensive income		**151**	**59**
Total comprehensive income attributable to			
Shareholders of the company	41	139	47
Holders of capital securities	42	12	12
Total comprehensive income		**151**	**59**

CONSOLIDATED BALANCE SHEET

as at 31 December

in EUR millions	note	2021	2020
Assets			
Cash and balances with central banks	14	1,793	1,909
Due from other banks	15	804	645
Financial assets at fair value through profit or loss (including trading)			
Debt investments	16	47	69
Equity investments (including investments in associates)	17	221	212
Loans	18	148	130
Derivative financial instruments	19	334	494
Financial assets at fair value through other comprehensive income			
Debt investments	20	852	886
Financial assets at amortised cost			
Debt investments	21	25	22
Loans	22	6,381	6,309
Lease receivables	23	8	16
Mortgage loans	24	11,659	9,902
Securitised mortgage loans	25	281	343
Other			
Investment property	26	23	21
Investments in associates and joint ventures (equity method)	27	16	15
Property and equipment (including right-of-use assets)	28	31	33
Current tax assets	29	-	-
Deferred tax assets	30	5	5
Other assets	31	28	44
Total assets		**22,658**	**21,055**

as at 31 December

in EUR millions	note	2021	2020
Liabilities			
Due to other banks	32	702	1,000
Deposits from customers	33	11,333	11,137
Financial liabilities at fair value through profit or loss (including trading)			
Debt securities in issue structured	34	133	171
Derivative financial instruments	19	154	100
Current tax liabilities	29	3	3
Deferred tax liabilities	30	4	6
Provisions	35	6	6
Accruals, deferred income and other liabilities	36	98	71
Debt securities in issue at amortised cost			
Own debt securities in issue	37	7,667	5,954
Debt securities in issue related to securitised mortgages	38	267	327
Subordinated liabilities			
Fair value through profit or loss	39	196	165
Amortised cost	40	67	113
Total liabilities		**20,630**	**19,052**
Equity			
Share capital	41	80	80
Share premium	41	238	238
Revaluation reserves	41	79	118
Retained profit	41	1,431	1,367
Equity attributable to the equity holders		**1,828**	**1,803**
Capital securities	42	200	200
Total equity		**2,028**	**2,003**
Total liabilities and equity		**22,658**	**21,055**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR millions	note	Attributable to Share capital	Share premium	Revaluation reserves	Retained profit	Equity of the company	Capital securities	Total equity
Balance at 1 January 2021		**80**	**238**	**118**	**1,367**	**1,803**	**200**	**2,003**
Total comprehensive income for the year ended 31 December 2021		-	-	(39)	178	139	12	151
Transfer of realised depreciation revalued property and equipment		-	-	-	1	1	-	1
Distributions:								
Paid coupon on capital securities	42	-	-	-	-	-	(12)	(12)
Dividend declared during the year		-	-	-	(115)	(115)	-	(115)
Balance at 31 December 2021		**80**	**238**	**79**	**1,431**	**1,828**	**200**	**2,028**

in EUR millions	note	Attributable to Share capital	Share premium	Revaluation reserves	Retained profit	Equity of the company	Capital securities	Total equity
Balance at 1 January 2020		**80**	**238**	**120**	**1,427**	**1,865**	**200**	**2,065**
Total comprehensive income for the year ended 31 December 2020		-	-	(2)	49	47	12	59
Distributions:								
Paid coupon on capital securities	42	-	-	-	-	-	(12)	(12)
Dividend declared during the year		-	-	-	(109)	(109)	-	(109)
Balance at 31 December 2020		**80**	**238**	**118**	**1,367**	**1,803**	**200**	**2,003**

See note 41 Equity for more detailed information.

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR millions	note	2021	2020
Operating activities			
Profit before tax for the year		226	62
Tax		37	1
Profit after tax for the year		**190**	**61**
Adjustments for non-cash items			
Depreciation, amortisation and credit loss expenses	10/12	28	139
Share in result of associates and joint ventures	27	(2)	(1)
Total adjustments for non-cash items		**26**	**138**
Changes in operating assets and liabilities			
Derivative financial instruments	19	214	(137)
Operating assets		(2,079)	998
Operating liabilities (including deposits from customers)		(78)	(833)
Cash flows from operating activities		**(1,727)**	**227**
Investing activities			
Acquisition of subsidiaries, associated and joint ventures	27	-	(1)
Disposal of subsidiaries, associates and joint ventures	17/27	-	8
Acquisition of property and equipment	28	-	(1)
Repayments of financial assets	4	77	7
Cash flows from investing activities		**77**	**13**
Financing activities			
Proceeds from the issuance of own debt securities	37/38	1,916	783
Repayment of issued own debt securities	37/38	(247)	(1,160)
Proceeds from the issuance of subordinated liabilities	40/39	6	3
Repayment of issued subordinated liabilities	40/39	(63)	(39)
Repayment of issued debt securities structured	34	(41)	(14)
Final and interim distribution	41	(115)	(109)
Coupon payments on capital securities	42	(12)	(12)
Cash flows from financing activities		**1,444**	**(548)**
Cash and cash equivalents at 1 January		**2,273**	**2,307**
Net foreign exchange difference		152	133
Net increase/(decrease) in cash and cash equivalents		(206)	(167)
Cash and cash equivalents at 31 December		**2,219**	**2,273**

in EUR millions	note	2021	2020
Reconciliation of cash and cash equivalents			
Cash and balances with central banks (maturity three months or less)	14	1,624	1,747
Due from other banks (maturity three months or less)	15	595	526
		2,219	**2,273**
Supplementary disclosure of operating cash flow information			
Interest paid		138	153
Interest received		499	540

ACCOUNTING POLICIES

Authorisation of consolidated financial statements

The consolidated financial statements of NIBC Bank N.V. (B64D6Y3LBJS4ANNPCU93) for the year ended 31 December 2021 were authorised for issue by the Supervisory Board and Managing Board on 4 March 2022. NIBC Bank N.V. is a public limited liability company, incorporated under Dutch law on 31 October 1945, and registered at Carnegieplein 4, 2517 KJ The Hague, the Netherlands (Chamber of Commerce number 27032036). NIBC Bank N.V. is a wholly-owned subsidiary of NIBC Holding N.V.

NIBC Bank N.V. together with its subsidiaries (**NIBC** or **the group**) provides a broad range of financial services to corporate and retail clients. Refer to the Segment report in these consolidated financial statements and the Report of the Managing Board in this Annual Report for more information on NIBC's business model and financial services.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise. Where considered necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

Statement of compliance

NIBC's consolidated financial statements have been prepared in accordance with the *International Financial Reporting Standards as adopted by the European Union* (together **IFRS-EU**) and with Title 9 of Book 2 of the Netherlands Civil Code.

Basis of preparation

The consolidated financial statements of NIBC are prepared on a going concern basis, as the Managing Board is satisfied that NIBC or the group have the resources to continue in business for the foreseeable future. In making this assessment, the Managing Board has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources. These considerations include scenarios that reflect the uncertainty that the global COVID-19 pandemic has had on NIBC's operations, as well as considering potential impacts from other top and emerging risks, and the related impact on profitability, capital and liquidity.

The consolidated financial statements have been prepared on a historical cost basis, except for:

- Financial assets and liabilities (including derivative instruments, equity investments, investments in associates and joint-ventures) and certain classes of (investment) property *measured at fair value through profit or loss* (**FVtPL**);
- Financial assets held for both collecting contractual cash flows and sale *measured at fair value through other comprehensive income* (**FVOCI**);
- Assets held for sale - measured at fair value less cost of disposal.

All figures are rounded to the nearest EUR million, except when otherwise indicated.

The preparation of consolidated financial statements in conformity with IFRS-EU requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying NIBC's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the Critical accounting estimates and judgements section.

Changes in accounting policies in 2021

Changes in International Financial Reporting Standards as adopted by the European Union
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 2021, the following standards or amendments to existing standards issued by the *International Accounting Standards Board* (**IASB)**, and relevant for NIBC, were adopted and implemented:

Accounting standard/ amendment/interpretation

	IASB effective date	Endorsed by EU	Early adopted by NIBC	Impact for NIBC
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase 2	1 January 2021	Yes	-	Refer to paragraph 'Interbank Offered Rate Reform'
Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021) (One year extension of the relief to lessees from applying lease modification accounting to COVID-19 related rent concessions)	1 April 2021	Yes	Yes	See below for comments

Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)
Effective for annual reporting periods beginning on or after 1April 2021, the amendment extends the availability of the practical expedient by one year. Since NIBC did not receive material rent concessions related to COVID-19, the adoption of the amendment does not have a material impact on NIBC's consolidated financial statements.

Upcoming changes after 2021

Below standards and amendments to existing standards, published prior to 31 December 2021, were not early adopted by NIBC but will be applied in future years. Note that only the amendments to IFRSs that are relevant for NIBC are discussed below.

New and/or amended standards endorsed but not yet effective

Accounting standard/ amendment/ interpretation

	IASB effective date	Impact for NIBC
Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and Annual Improvements 2018-2020	1 January 2022	Low

These amendments include:
IFRS 3: Clarification of 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 to:
- 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.

The endorsed upcoming amendments are not expected to have a material effect on the consolidated financial statements.

New and/or amended standards not yet endorsed

Accounting standard/ amendment/ interpretation

	IASB effective date	Impact for NIBC
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-Current - Deferral of Effective Date (Clarification of the criteria whether to classify a liability as current or non-current)	1 January 2023	Low
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) (Guidance on accounting policies disclosures)	1 January 2023	Low
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) (Clarification of what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.)	1 January 2023	Low
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) (The Amendments narrow the scope of the initial recognition exception under IAS 12 Income Taxes, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.)	1 January 2023	Low

The not yet endorsed upcoming amendments are not expected to have a material effect on the consolidated financial statements.

Impact of COVID-19 pandemic

The COVID-19 pandemic (COVID-19) continues to negatively affect the global economy and, despite positive signs of economic recovery, uncertainty remains high, in particular in light of the spread of new variants. In response to COVID-19, NIBC has taken a wide range of measures to address the various challenges.

In 2021, there are no significant changes in the application of the accounting policies as a result of the developments in COVID-19.

Concerning the expected credit losses (ECL) measurement, NIBC has considered the SICR methodology in the light of the COVID-19 measures, but decided to maintain the current methodology. However a management overlay has been recognized to reflect the increased uncertainty, especially with respect to economic developments and the potential further impact of the still on-going pandemic, to correctly reflect all risks and uncertainties at 31 December 2021. For the full disclosure of the COVID-19 pandemic on the ECL impact and the management overlay for the different portfolios reference is made to note 12 Impairments of financial and non-financial assets.

Interbank Offered Rate Reform (IBOR Reform)

The 5th of March 2021, the FCA announced to permanently cease to publish all the settings of EUR, GBP, JPY and CHF LIBOR and the 1week and two months tenors for the USD Libor immediately after the 31th of December 2021. The cessation of the remaining dollar settings will be conducted after the end of June 2023.

Following the decision by global regulators to phase out IBORs and replace them with alternative nearly Risk-Free Interest Rates (RFRs), NIBC has an IBOR Transition Program (the Program) across all areas of NIBC to coordinate the transition activities and to assess the potential risks and impacts of any transition.

The program is sponsored by the CFO, led by senior representatives, and encompasses various workstreams and departments such as , Legal, Finance, Risk Management, Operations and IT.

Potential changes in risks are regularly reviewed and where necessary updated after discussion in the Program board. To date NIBC identified risks in the categories Conduct Risks, Legal Risks, Financial Risks and General Project Risks.

On 16 November 2021, the FCA has confirmed it will allow the temporary use of 'synthetic' sterling and yen LIBOR rates in all legacy LIBOR contracts, other than cleared derivatives, that have not been changed at or ahead of the end of 2021.

Throughout 2021, the bank focused on migrating all the legacy contracts for the exposures with the cessation date is immediately after end of December 2021 to the new risk free rates (SONIA and SARON). In October the forward curves from EONIA to ESTR were also migrated. During December all centrally cleared derivatives in GBP were migrated. The bilateral contracts that could not be amended per year end might make use of the synthetic Libor if applicable.

The phase two amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.

Transition of the derivatives (swaps) and the hedged items will be on a 'economically equivalent' basis, and as a consequence the hedge documentation will be amended at transition without discontinuing the hedges.

The following table shows the nominal amounts for derivatives and contractual drawn par amounts of non-derivative financial assets and non-derivative financial liabilities subject to the Reform that have yet to transition as at 31 December 2021.

in EUR millions	GBP LIBOR	USD LIBOR	CHF LIBOR	Total
Derivatives	461	1,721	-	2,182
Non-derivative financial assets	531	946	10	1,486
Non-derivative financial liabilities	297	79	-	376
Loan commitments	97	8	-	106

Intercompany transactions are excluded from the table.

Because EURIBOR is currently compliant with the European Benchmark Regulation, the transactions in EURIBOR are excluded from the table. A transition of transactions that reference other interest rate benchmarks, such as STIBOR, NIBOR and CIBOR is currently not foreseen in the near future and therefore these transactions are also excluded from the table.

At 31th of December 2021 all derivatives in active hedging relationships with formerly an LIBOR interest rate benchmark are transferred to the corresponding RFR. NIBC tried to migrate the hedging instruments and hedged items in the same period to minimize the hedge ineffectiveness.

The adoption of the IBOR Reform amendments does not have a material impact on NIBC's consolidated financial statements. NIBC conducted all the migrations based on the economic equivalent term as per described in the IASB phase two amendments. Therefore no significant changes in the amended financial instrument's fair value and cash flows.

Basis of consolidation

The consolidated financial statements are comprised of the financial statements of NIBC and its subsidiaries as at and for the years ended 31 December 2021 and 2020.

Subsidiaries

The group's subsidiaries are those entities (including *Structured Entities* (**SEs**)) which it directly or indirectly controls. Control over an entity is evidenced by the group's ability to exercise its power in order to affect any variable returns that the group is exposed to through its involvement with the entity. The group sponsors the formation of SEs and interacts with SEs sponsored by third parties for a variety of reasons, including allowing customers to hold investments in separate legal entities, allowing customers to invest jointly in asset securitisation transactions, and for buying or selling credit protection.

When assessing whether to consolidate an entity, the group evaluates a range of control factors, namely:

- the purpose and design of the entity;
- the relevant activities and how these are determined;
- whether the group's rights result in the ability to direct the relevant activities;
- whether the group has exposure or rights to variable returns;
- whether the group has the ability to use its power to affect the amount of its returns.

Where voting rights are relevant, the group is deemed to have control where it holds, directly or indirectly, more than half of the voting rights over an entity unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities, as indicated by one or more of the following factors:

- another investor has the power over more than half of the voting rights by virtue of an agreement with the group; or
- another investor has the power to govern the financial and operating policies of the investee under a statute or an agreement; or
- another investor has the power to appoint or remove the majority of the members of the board of directors or equivalent governing body and the investee is controlled by that board or body; or
- another investor has the power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of that entity is by this board or body.

Potential voting rights that are deemed to be substantive are also considered when assessing control. Likewise, the group also assesses the existence of control where it does not control the majority of the voting power but has the practical ability to unilaterally direct the relevant activities. This may arise in circumstances where the size and dispersion of holdings of the shareholders give the group the power to direct the activities of the investee.

Subsidiaries are consolidated from the date on which control is transferred to the group and are deconsolidated from the date that control ceases.

The group reassesses the consolidation status at least at each financial reporting date. Therefore, any changes in the structure leading to a change in one or more of the control factors require reassessment when they occur. This includes changes in decision making rights, changes in contractual arrangements, changes in the financing, ownership or capital structure as well as changes following a trigger event which was anticipated in the original documentation.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in the income statement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement presented under other operating income as negative goodwill. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred. The accounting policies of subsidiaries (including SEs that the bank consolidates) have been changed where necessary to ensure consistency with the accounting policies adopted by NIBC.

Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries
When the group ceases to have control, any retained interest in the entity is re-measured at its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in *Other Comprehensive Income* (**OCI**) in respect of that entity are accounted for as if the group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in OCI are reclassified to the income statement (investment income).

Investment in associates and joint ventures
Associates are all entities over which the group has significant influence but not control. Significant influence generally results from a shareholding of between 20% and 50% of the voting rights, but also is the ability to participate in the financial and operating policies through situations including, but not limited to one or more of the following:
- Representation in the board of directors;
- Participation in the policy making process;
- Interchange of managerial personnel.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The group's share of post-acquisition results of associates and joint ventures is recognised in the income statement and its share of post-acquisition movements in OCI is recognised in OCI with a corresponding adjustment to the carrying amount of the investment in associates and joint ventures. When the group's share of losses in an associate and joint venture equals or exceeds its interest in the associate and joint venture, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The group's investments in its associates and joint ventures are, except as otherwise described below, accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost, and the carrying amount is increased or decreased to recognise the group's share of the profit or loss of the associate or joint venture after the date of acquisition. The group's investment in associates or joint ventures includes goodwill identified on acquisition. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The group determines at each reporting date whether there is objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount adjacent to investment income (sub line item share in result of associates) in the income statement.

Unrealised gains and losses resulting from transactions between the group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

If the interest in an associate is reduced but significant influence is retained, only a proportionate share of amounts previously recognised in OCI are reclassified to the income statement, where appropriate.

Upon loss of significant influence over the associate or joint control over the joint venture, the group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the income statement. If applicable, dilution gains and losses arising in investments in associates are recognised in the income statement.

With effect from 1 January 2007, all newly acquired investments in associates and joint ventures held by venture capital entities, mutual funds and investment funds (as that term is used in IAS 28 and IFRS 11) that qualify as a joint venture or associate are accounted for as an investment held at FVtPL. Interests held by the group in venture capital entities, mutual funds and investment funds that are managed on a fair value basis are also accounted for as investments held at FVtPL.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Managing Board of NIBC. For details of NIBC's operating segments see note 1.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in EUR, the functional currency and presentation currency of NIBC.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. *Foreign Exchange* (**FX**) gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity (OCI net of tax) as qualifying net investment hedges.

Changes in the fair value of monetary loans denominated in foreign currency that are classified at FVOCI are analysed between FX translation differences and other changes in the carrying amount of the loan. FX translation differences are recognised in the income statement and other changes in the carrying amount are recognised in OCI.

FX translation differences on non-monetary assets and liabilities that are stated at FVtPL are reported as part of the fair value gain or loss. Translation differences on non-monetary items classified at FVOCI are included in the revaluation reserve in OCI.

Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at weighted average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- All resulting exchange differences are recognised as a separate component of OCI.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Financial instruments

Recognition and classification and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which NIBC commits to purchase or sell the asset.

On initial recognition, financial assets are classified as *measured at amortised cost* (**AC**), FVOCI or FVtPL.

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

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

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

Forward purchases and sales other than those requiring delivery within the time frame established by regulation or market convention are treated as derivative forward contracts.

Business model assessment

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

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

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

Loans originated under originate to manage contracts for third parties are not recognised by NIBC.

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

Contractual cash flow characteristics

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

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

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

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

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

Financial assets classification	Significant items included	Measurement and presentation
Measured at AC	A debt financial asset is measured at AC if: o it is held in a business model that has an objective to hold assets to collect contractual cash flows; o the contractual terms give rise to cash flows that are SPPI. This classification includes: o cash and balances at central banks; o due from other banks; o corporate loans; o mortgage loans own book; o securitised mortgage loans; o fee and lease receivables.	Measured at AC using the effective interest rate (EIR) method less allowances for expected credit losses (ECL) The following items are recognised in the income statement: o Interest income; o ECL and reversals; o Foreign exchange translation gains and losses. Upfront fees and direct costs relating to loan origination, refinancing or restructuring as well as to loan commitments – when it is probable that NIBC will enter into a specific lending relationship – are deferred and amortised over the life of the loan using the EIR method. When the financial asset at AC is derecognised, the gain or loss is recognised in the income statement, under line item 'net gains or (losses) on derecognition of financial assets measured at amortised cost'

Financial assets classification		Significant items included	Measurement and presentation
Measured at FVOCI		A debt financial asset is measured at FVOCI if: o it is held in a business model whose objective is achieved by both holding assets to collect contractual cash flows and selling the assets; o the contractual terms give rise to cash flows that are SPPI. This classification includes debt securities from legacy portfolios for which the contractual cash flows meet the SPPI conditions, and debt securities held as high-quality liquid assets (HQLA).	Measured at fair value with unrealised gains and losses reported in OCI, net of applicable income taxes, until such investments are derecognised (when sold, collected or otherwise disposed). Upon derecognition, any accumulated balances in OCI are reclassified to the income statement and reported within Investment income. The following items are recognised in the income statement: o Interest income; o ECL and reversals; o Foreign exchange translation gains and losses. The amounts recognised in the income statement are determined on the same basis as for financial assets measured at AC.
Measured at FVtPL	Held for trading	Financial assets held for trading include: o all derivatives with a positive replacement value; o other financial assets acquired principally for the purpose of selling or repurchasing in the near term, or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.	Measured at fair value with changes recognised in profit or loss. Upfront (closing) fees on financial assets measured at FVtPL are recognised in the income statement within Net fee income. Interest income from financial assets measured at FVtPL is included in Net interest income. Back-ended fees or other gains and or losses than above mentioned on financial assets (not held for trading) mandatory measured at FVtPL are recognised in the income statement within Net gains or (losses) from assets and liabilities at FVtPL.
	Mandatorily measured at FVtPL – Other	A financial asset is mandatorily measured at FVtPL if: o it is not held in a business model whose objective is to hold assets to collect contractual cash flows or to hold them to collect contractual cash flows and sell, and / or o the contractual terms give rise to cash flows that are not SPPI; and / or o it is not held for trading.	Back-ended fees or other gains or losses than above mentioned on financial assets held for trading mandatory measured at FVtPL are recognised in the income statement within Net trading income. The presentation of fair value changes on derivatives that are designated and effective as hedging instruments depends on the type of hedge relationship (refer to 'Derivative financial instruments and hedging' in this 'Accounting Policies' section). Financial assets held for trading and other financial assets mandatorily measured at FVtPL are presented under Financial assets at FVtPL.

Financial liabilities classification		Significant items included	Measurement and presentation
Measured at AC		The main classes of financial liabilities at AC include amounts o due to other banks; o deposits from (corporate and retail) customers; o own debt securities in issue under the European Medium Term Note programme; o Covered bonds and debt securities in issue related to securitised mortgages.	Measured at AC using the EIR method. Upfront fees and direct costs relating to the issuance or origination of the liability are deferred and amortised over the life of the liability using the EIR method.
Measured at FVtPL	Held for trading	Financial liabilities held for trading include derivatives with a negative replacement value (including certain loan commitments) except those that are designated and effective hedging instruments	Measurement of financial liabilities classified at FVtPL follows the same principles as for financial assets classified at FVtPL, except that the movement in the fair value of the financial liability that is attributable to changes in NIBC's own credit risk is presented in OCI.
	Designated at FVtPL	The financial liabilities designated at FVtPL relate to the following balance sheet items: o own debt securities in issue; o own debt securities in issue structured; o subordinated liabilities (at FVtPL).	Financial liabilities measured at FVtPL are presented as Financial liabilities at fair value (including trading) and Subordinated financial liabilities at fair value. The presentation of fair value changes on derivatives differs depending on the type of hedge relationship (refer to 'Derivative financial instruments and hedging' in this 'Accounting Policies' section).

Derecognition, restructured and modified financial assets

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

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

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

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

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

Fair value estimation

IFRS 13 requires for financial instruments and non-financial instruments that are measured at fair value in the balance sheet disclosure of each class of financial assets and liabilities within a three-level hierarchy, referring to the respective basis of fair value measurement 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).

Determination of fair value of financial instruments

The fair value of a financial instrument is the price that would be received to sell or paid to transfer a particular asset or liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which NIBC has access at that date. NIBC determines fair value either by reference to quoted market prices or dealer price quotations without adjustment for transaction costs for those financial instruments that are currently traded in an active market. The fair value measurement is based upon the bid price for financial assets and the ask price for financial liabilities. These financial instruments are reported as level 1 in the fair value hierarchy.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

The fair value of financial instruments not quoted in an active market is determined using appropriate valuation techniques. These valuation techniques are applied using, where possible, relevant market observable inputs (level 2) or unobservable inputs (level 3). Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, option pricing models, credit models and other relevant models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation technique based on NIBC's best estimate of the most appropriate assumptions and that has been calibrated against actual market transactions. Outcomes are adjusted to reflect the spread for bid and ask prices, to reflect costs to close out positions, where necessary for counterparty credit and liquidity spread, and for any other limitations in the technique. Profit or loss, calculated upon initial recognition (day one profit or loss), is deferred unless the calculation is based on market observable inputs, in which case it is immediately recognised. Deferred day one profit or loss is amortised to income over the contractual life until maturity or settlement.

The fair value of on demand deposits from customers is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The level within the fair value hierarchy at which an instrument measured at fair value is categorised is determined on the basis of the lowest level input that is significant to the measurement of fair value in its entirety.

NIBC recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Credit Valuation Adjustments & Debit Valuation Adjustments (**CVAs and DVAs**) are incorporated into the derivative valuations.

See note 43 Fair value of financial instruments for an analysis of the fair values of financial instruments and own credit risk and further details as to how they are measured.

Recognition of day one profit or loss

The best evidence of fair value at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

NIBC has entered into transactions where fair value is determined using valuation models for which not all inputs are market observable prices or rates. Such financial instruments are initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. Significant differences between the transaction price and the model value, commonly referred to as day one profit or loss, are not recognised immediately in the income statement.

Deferred day one profit or losses are amortised to income over the life until maturity or settlement. The financial instrument is subsequently measured at fair value as determined by the relevant model adjusted for any deferred day one profit or loss.

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for disclosure purposes of those financial instruments which are not recorded at fair value in the financial statements.

Assets for which fair value approximates carrying amount

For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate fair value. This assumption is also applied to demand deposits from customers and customer savings with a specific maturity.

Fixed-rate financial instruments

The fair values of Fixed-rate financial assets and liabilities carried at AC are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed-interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and on credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since initial recognition.

See note 43 Fair value of financial instruments for the fair values of NIBC's financial instruments that are not carried at fair value in the balance sheet.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when, and only when, NIBC has currently a legally enforceable right to set-off the amounts and the group intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS.

Collateral

NIBC enters into master agreements and *Credit Support Annexes* (**CSA**) with counterparties whenever possible and when appropriate. Master agreements provide that, if the master agreement is being terminated as a consequence of an event of default or termination event, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis. In the case of a CSA with counterparties, the group has the right to obtain collateral for the net counterparty exposure.

NIBC obtains collateral in respect of counterparty liabilities when this is considered appropriate. The collateral normally takes the form of a pledge over the counterparty's assets and gives NIBC a claim on these assets for both existing and future liabilities.

NIBC also pays and receives collateral in the form of cash or securities in respect of other credit instruments, such as derivative contracts, in order to reduce credit risk. Collateral paid or received in the form of cash together with the underlying is recorded on the balance sheet at fair value. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

Derivative financial instruments and hedging

NIBC uses derivative financial instruments both for trading and hedging purposes. NIBC uses derivative financial instruments to hedge its exposure to FX and interest rate risks and to credit risk.

Derivative financial instruments are initially measured, and are subsequently re-measured, at fair value. The fair value of exchange-traded derivatives is obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

The method of recognising fair value gains and losses depends on whether the derivatives are held for trading or are designated as hedging instruments and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of derivatives held for trading are recognised in the income statement in net trading income.

When derivatives are designated as hedges, NIBC classifies them as either (i) a fair value hedge of interest rate risk ('portfolio fair value hedges'); (ii) a fair value hedge of interest rate risk or FX rate risk ('micro fair value hedges') (iii) a cash flow hedge of the variability of highly probable cash flows ('cash flow hedges') Hedge accounting is applied to derivatives designated as hedging instruments, provided certain criteria are met.

Hedge accounting

Where derivatives are held for risk management purposes, and when transactions meet the criteria specified in IAS 39, NIBC applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation, as appropriate, to the risks being hedged.

At the inception of a hedging relationship, NIBC documents the relationship between the hedging instrument and the hedged item, its risk management objective and its strategy for undertaking the hedge. NIBC also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the derivatives that are used in hedging relationships are highly effective in offsetting changes attributable to the hedged risk in the fair value or cash flows of the hedged items. Interest on designated qualifying hedges is included in net interest income.

NIBC discontinues hedge accounting prospectively when:
- It is determined that a derivative is not, or has ceased to be, highly effective as a hedge;
- The derivative expires, or is sold, terminated or exercised;
- The hedged item matures, or is sold or repaid;
- A forecast transaction is no longer deemed highly probable; or
- It voluntarily decides to discontinue the hedge relationship.

Fair value hedge

NIBC applies portfolio fair value hedge accounting and fair value hedge accounting on a micro level. Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement in net income from assets and liabilities at FVtPL together with changes in the fair value of the hedged items attributable to the hedged risk.

If a hedge relationship no longer meets the criteria for hedge accounting, the cumulative fair value adjustment to the carrying amount of the hedged item is amortised to the income statement over the remaining period to maturity using the effective interest method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement in net income from assets and liabilities at FVtPL.

Portfolio fair value hedge

NIBC applies portfolio fair value hedge accounting to the interest rate risk arising on portfolios of fixed-interest rate loans (recognised at AC), to portfolios of plain vanilla fixed-interest rate funding (liabilities classified as AC) and to the residual interest rate risk from retail deposits and mortgages.

In order to apply portfolio fair value hedge accounting, the cash flows arising on the portfolios are scheduled into time buckets based upon when the cash flows are expected to occur. For the first two years, cash flows are scheduled using monthly time buckets; thereafter annual time buckets are used. Hedging instruments are designated for each time bucket, together with an amount of assets or liabilities that NIBC is seeking to hedge. Designation and de-designation of hedging relationships is undertaken on a monthly basis, together with an assessment of the effectiveness of the hedging relationship at a portfolio level, across all time buckets.

Ineffectiveness within the 80% - 125% bandwidth is recognised in the income statement through the actual hedge adjustment. Ineffectiveness outside the 80% - 125% bandwidth is recognised by not posting a hedge adjustment to the hedged item.

Micro fair value hedge

NIBC applies micro fair value hedge accounting to the interest rate risk and/or the FX risk arising from debt investments at FVOCI (formerly available-for-sale) and fixed-interest rate funding.

(Cross-currency) interest rate swaps are used as hedging instruments. Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement together with changes in the fair value of the hedged items attributable to the hedged risks.

Effectiveness is tested retrospectively on a monthly basis by comparing the cumulative clean fair value movement (since inception) of the hedged item, due to changes in both benchmark interest rates and FX rates, to the total clean fair value movement of the hedging instrument (the cumulative dollar offset method).

Ineffectiveness within the 80% - 125% bandwidth is recognised in the income statement through the actual hedge adjustment. Ineffectiveness outside the 80% - 125% bandwidth is recognised by not posting a hedge adjustment to the hedged item. In this case, the micro hedge relationship is de-designated and it is re-designated at the beginning of the next period if expected to be highly effective prospectively.

Cash flow hedge

Cash flow hedge accounting is applied to hedge the variability arising on expected future cash flows due to interest rate risk on loans at AC with floating interest rates. As interest rates fluctuate, the future cash flows on these instruments also fluctuate. NIBC uses interest rate swaps to hedge the risk of such cash flow fluctuations. Cash flow hedges are always on portfolio level.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in OCI as net result of hedging instruments. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the income statement in net income from assets and liabilities at FVtPL.

Amounts accumulated in OCI are recycled to the income statement in the periods in which the hedged item will affect the income statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in OCI at that time remains in OCI until the forecast cash flow is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the income statement.

Hedge effectiveness testing

To qualify for hedge accounting, NIBC requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness). Actual effectiveness (retrospective effectiveness) must also be demonstrated on an ongoing basis.

The documentation of each hedging relationship describes how effectiveness will be assessed. For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness, the changes in fair value or cash flows must offset each other in the bandwidth of 80% - 125% for the hedge to be deemed effective.

Hedge ineffectiveness is recognised in the income statement in net income from assets and liabilities at FVtPL.

Expected Credit Losses

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

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

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

Recognition of Expected Credit Loss

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

ECL are recognised on the following basis:

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

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

NIBC has developed a sustainability strategy based on the UN SDGs and ESG that guides its business strategic decisions. The climate related matters if considered relevant are taken into consideration as part of the ECL process.

Exposures receiving COVID-19-related measures have been separately reviewed for potential SICR.

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

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

ECL changes are recognised in profit or loss with a corresponding ECL allowance reported as a decrease in the carrying value of financial assets measured at AC on the balance sheet. For financial assets measured at FVOCI, the carrying value is not reduced, but an accumulated amount is recognised in OCI.

For off-balance sheet financial instruments and other credit lines not recognised (i.e. related to undrawn positions), provisions for ECL are reported in **Provisions**. ECL changes are recognised within the income statement in **Credit loss expense / recovery.**

Default and credit impairment

NIBC has fully aligned the implementation of the prudential definition of default, the supervisory definition of Non-Performing exposures and the accounting definition of credit-impaired exposures in NIBC's definitions of default, processes, IT, monitoring and reporting.

An obligor or credit facility is considered to be in default when either one or both events have taken place:
1. NIBC considers that the obligor is unlikely to pay its credit obligations to NIBC in full, without recourse by NIBC to actions such as seizing collateral;
2. The obligor/facility is past due more than 90 days on any material credit obligation to NIBC.

An instrument is classified as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:
1. significant financial difficulty of the issuer or the client;
2. a breach of contract, such as a default or past due event;
3. NIBC, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the client a concession(s) that NIBC would not otherwise consider;
4. it is becoming probable that the client will enter bankruptcy or other financial reorganisation;
5. the disappearance of an active market for that financial asset because of financial difficulties; or
6. the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Once a financial asset is classified as defaulted / credit-impaired (except POCIs), it remains as such unless all past due amounts have been rectified, additional payments have been made on time, the position is not classified as credit-restructured, and there is general evidence of credit recovery.

Interest revenue on financial assets that are not credit impaired (i.e., in stages 1 and 2) is calculated by applying the effective interest rate to the gross carrying amount of the asset. Once a financial asset is credit impaired, interest revenue is calculated by applying the effective interest rate to the AC of the financial asset, i.e., the gross carrying amount less the ECL. If a financial asset 'cures', so that it is transferred back to stage 2 or stage 1, interest revenue is again recognised based on the gross carrying amount. The adjustment required to bring the loss allowance to the amount required is presented as a Credit loss recovery in the consolidated income statement instead of Net interest income.

Write-off

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

Measurement of Expected Credit Loss

NIBC calculates ECL's based on three probability-weighted scenarios (baseline, upturn and downturn) to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to NIBC in accordance with the contract and the cash flows that NIBC expects to receive.

The 12M-ECL and the *Lifetime ECL* (**LT-ECL**) represent the ECL that result from all possible default events over the next 12 months and the expected remaining life of the instrument respectively. 12M-ECL and LT-ECL are calculated as a probability weighted-average over the three macroeconomic scenarios and are based on the unbiased and *Point-in-Time* (**PiT**) estimates of *PD*, *LGD* and *Exposure at Default* (**EAD**).

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

The measurement of the ECL is summarised as follows:

ECL	Measurement
Stage 1	The 12M-ECL is calculated as the portion of LT-ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months or a shorter period if applicable after the reporting date. NIBC calculates the 12M-ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
Stage 2	When a loan has shown a SICR since origination, NIBC records an allowance for the LT-ECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but ECL calculations are summed over the remaining lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR. The EIR calculation for the corporate exposures comprises of the current base rate plus an add-on. This rate is fixed to discount the cash-flows over the remaining life of the loan until its legal maturity. This rate applies to all financial instruments, including undrawn loan commitments and financial

	guarantees. The EIR calculation for retail mortgage loans is based on the current coupon rate. The rate is fixed over the remaining life of the loan until its contractual maturity date.
Stage 3	For loans considered credit-impaired, NIBC recognises the LT-ECL, based on facility level individual cash flow estimates determined by the department *Restructuring & Distressed Assets* (**RDA**). RDA applies at least three scenarios (unless it is 100% impaired) and assigns probabilities to each of these scenarios. Focus is on recovery of the client, while in parallel an enforcement strategy, a loan trade or sale of the company are considered as alternative scenarios. The method is conceptually similar to that for Stage 2 assets, but requires an individual assessment. For the purpose of impairment calculation, the EIR is approximated by the sum of the applicable swap curve plus the original contractual margin.
POCI	POCI assets are financial assets that are credit impaired on initial recognition. NIBC only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.
Loan commitments and letters of credit	When estimating LT-ECLs for undrawn loan commitments, NIBC estimates the expected portion of the loan commitment that will be drawn down over its contractual life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For loan commitments relating to revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For fully undrawn loan commitments and letters of credit, the ECL is recognised within *Provisions*.
Financial guarantee contracts	NIBC's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, NIBC estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within *Provisions*.

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

Refer to the Risk Management section for full disclosure on scenarios and scenario weights as well as used macro-economic and other factors.

Expected Credit Loss measurement period

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

Significant Increase of Credit Risk

Financial instruments subject to ECL are monitored on an ongoing basis which includes an assessment whether SICR has occurred. The assessment criteria include both quantitative and qualitative factors. Qualitative factors are forbearance measures, Watch List and/or managed by RDA and the quantitative factor is increase in PD since initial recognition.

The following table discloses the SICR triggers for the three major asset classes subject to ECL determination ('Yes' refers to the trigger being present, and 'RMS' refers to the Rating Monitoring System).

SICR trigger	Corporate loans	Residential mortgage loans	Debt investments
Significant change in lifetime PD since initial recognition	Yes, threshold is a number of notches downgrade (between 1 and 7 notches downgrade depending on the rating at initial recognition).	Yes, threshold is an increase of 30% of lifetime PD.	Yes, based on 3 notch change in external rating, to a rating below Investment Grade (<BBB-).
Facility is forborne	Yes	Yes	Yes
Client is on the Watch List or Trigger List (Debt Investments)	As determined in RMS by applying Watch List triggers.	n/a	Individually assessed, apply trigger criteria.
Client is transferred to RDA (not yet defaulted)	Yes, determined by managing department in RMS.	n/a	n/a
Facility is 30 days past due (unless rebutted)	Yes, indirectly as it is a Watch List trigger. Materiality threshold is set at 1% of the exposure with a minimum of € 500.	Yes (1 month arrear)	Yes
Fraud indicator	Yes, indirectly as it is a Watch List trigger.	Yes	n/a

The following table discloses the SICR trigger for Corporate loans following significant change in lifetime PD since initial recognition. The PD rating corporate loans are scaled over 22 notches. SICR triggers for Lease Receivables follow a similar methodology as for the Corporate Loans.

PD Rating Corporate Loans	SICR Trigger determined by number of notches downgrade	Remark
1	-7	
2+	-6	
2	-5	
2-	-4	
3+ to and including 4	-3	
4- to and including 6-	-2	
7+ to and including 7-	-1	
8	not applicable	a downgrade will lead to a default rating and per definition to stage 3
9 and 10	not applicable	rating 9 and 10 are per definition stage 3

As soon as the payment in arrear has been resolved or settled and no other impairment trigger is applicable, the borrower can become non-defaulted again after a probation period of at least three months in case all arrears have been cured by payments. However, if the defaults are resolved by agreeing an amendment (restructuring) a longer probation period applies of at least one year. The forbearance probation period is two years.

Impairment of non-financial assets

Assets that have an indefinite useful life and goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (*Cash-Generating Units* (**CGUs**)). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date. Impairment losses and the reversal of such losses, for non-financial assets other than goodwill, are recognised directly in the income statement.

Intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of NIBC's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment or more frequently when there are indications that impairment may have occurred and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Impairment of intangible assets
At each reporting date, NIBC assesses whether there is any indication that an asset may be impaired or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (see impairment – non-financial assets).

Tangible assets

Property (land and buildings) and equipment
Land and buildings comprise offices and are measured at fair value (revaluation model). This fair value is based on the most recent appraisals by independent registered appraisers, less straight-line depreciation for buildings over the estimated economic life taking into account any residual value. Buildings in own use are valued at market value on an unlet or let basis. If arm's length lease agreements have been concluded between NIBC group companies, the building is recognised at its value as a let property. If there is no lease agreement, the property is recognised as vacant property. Any accumulated depreciation at the date of revaluation is eliminated against the carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising from revaluation of land and buildings are credited to other reserves in shareholder's equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in OCI; all other decreases are charged to the income statement. Each year, the difference between depreciation based on the re-valued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from other reserves to retained earnings.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Depreciation
Buildings	30 - 50 years
Machinery	4 - 10 years
Furniture, fittings and equipment	3 - 10 years
Right-of-use assets: Offices	5 - 20 years
Assets under operating leases	1 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Cloud computing arrangements

Cloud computing arrangements are arrangements in which NIBC does not have possession of the underlying software. Rather, NIBC accesses and uses the software on an as-needed basis – for example, over the internet. Cloud computing arrangements are sometimes referred to Software as a Service (**SaaS**), infrastructure as a service or hosting arrangements.

Because the rights to receive access to the supplier's software does not in itself give NIBC:
- any decision making rights about how and for what purposes the software is used (i.e. the cloud computing arrangements do not meet the definition of a lease under IFRS 16 'Leases', which makes the option to apply IFRS 16 non-applicable), and
- the power to obtain the future economic benefits flowing from the software and to restrict others' access to those benefits (i.e. the cloud computing arrangements do not give rise to an intangible asset in the scope of IAS 38 'Intangible Assets'),

NIBC's cloud computing arrangements are accounted for as service contracts.

Costs related to service contracts are generally expensed as the service is provided.

Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, for administrative purposes or sale in the ordinary course of business.

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in the income statement.

Where the group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gains or (losses) from assets and liabilities at FVtPL.

Leases

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts that contain both lease components and non-lease components, such as a maintenance services, NIBC allocates the consideration payable on the basis of the relative stand-alone prices, which are estimated if observable prices are not readily available.

A group company is the lessee

Upon lease commencement NIBC recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, comprising:

- the amount of the initial measurement of the lease liability,
- lease payments made at or before the commencement date of the lease contract, less lease incentives received;
- initial direct costs; and
- an estimate of costs to be incurred by NIBC in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. NIBC incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, NIBC uses its incremental borrowing rate.

NIBC classifies the right-of-use assets as part of 'Property and Equipment', and subsequently applies

- the impairment requirements from IAS 36, and
- the depreciation requirements from IAS 16.

The lease liability is subsequently remeasured to reflect changes in:

- the lease term (using a revised discount rate);
- the assessment of a purchase option (using a revised discount rate);
- the amounts expected to be payable under residual value guarantees (using an unchanged discount rate); or
- future lease payments resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate).

The remeasurements are treated as adjustments to the right-of-use asset.

Lease modifications may also prompt remeasurement of the lease liability unless they are to be treated as separate leases.

The right-of-use assets are presented within the note 'Property and equipment', and the lease liabilities are presented within the note 'Accruals, deferred income and other liabilities'.

NIBC applies the following practical expedients;

- short-term leases (no right-of-use assets and lease liabilities are recognised for lease terms of 12 months or less at commencement date),
- low value assets (this includes, leases for which the underlying assets have a value lower or equal to EUR 5,000; leases leading to recognition of a Right-of-Use asset lower or equal to EUR 10,000; leases of similar underlying assets (like e.g. printers) leading to a total Right-of-Use asset of lower or equal to EUR 50,000, or leases of a group of assets whereby the costs and benefits of RoU asset recognition do not justify the reporting requirements).

Lease payments for assets falling under these practical expedients are recognised directly in operating expenses. The total lease expenses for these assets are separately disclosed in the notes.

A group company is the lessor
NIBC classifies each lease as an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

When assets are held subject to an operating lease, the assets are included in assets held under operating leases under property and equipment.

Rental income from operating leases from portfolio of German Residential and Commercial property managed by NIBC is recognised in other operating income on a straight line basis over the lease term net of discounts and other deductions.

Financial guarantees

In the ordinary course of business, NIBC issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'other liabilities') at fair value, being the premium received and subsequently measured at the higher of the amount of the loss allowance; and the premium received on initial recognition less income recognised in accordance with the principles of IFRS 15. Any increase in the liability relating to financial guarantees is recorded in the income statement in credit loss expenses. The premium received is recognised in the income statement in fee and commission income on a straight line basis over the life of the guarantee.

Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

When an operation is classified as a discontinued operation the comparative income statement and cash flow statement are represented as if the operation had been discontinued from the start of the comparative period.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks and net credit balances on current accounts with other banks.

Cash balances are measured at face value while bank balances are measured at cost.

Provisions

Provisions contains:

- ECL allowances for off-balance sheet financial instruments;
- Restructuring and/or reorganisation provisions;
- Employee benefits;
- Other provisions.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be remote.

Provisions are measured at the present value of the expected required expenditure to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Provisions are presented under other liabilities.

Contingent liabilities, if applicable, are not recognised in the financial statements but are disclosed, unless they are remote.

Expected Credit Loss allowances for off-balance sheet financial instruments

For off-balance sheet financial instruments and other credit lines not recognised (i.e. related to undrawn positions), provisions for ECL are reported in Provisions. ECL are recognised within the income statement in Credit loss expense / recovery.

For financial guarantees subsequent valuation is measured at the higher of' the ECL allowance, and the amount initially recognised (i.e. fair value) less any cumulative amount of income / amortisation recognised.

Restructuring and/or reorganisation provisions

Provisions for restructuring costs and legal claims are recognised when:

- the group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation;
- the amount has been reliably estimated.

A constructive obligation to restructure arises only when the group has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken;
- when the plan will be implemented; and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The group does not recognise provisions for projected future operating losses.

Employee benefits

Pension benefits

NIBC operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to NIBC by the employees and is recorded as an expense under personnel expenses and share-based payments. Unpaid contributions are recorded as a liability. NIBC does not operate a defined benefit plan.

Termination benefits

NIBC recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Share-based compensation

NIBC operates both equity-settled and cash-settled share-based compensation plans.

Equity-settled transactions

The group operates a number of equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (shares or options) of the group. The fair value of the employee services received in exchange for the grant of the shares or options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares or options granted:

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions;
- Excluding the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of shares or options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, NIBC revises its estimates of the number of shares or options that are expected to vest based on the non-market vesting conditions. NIBC recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other vesting conditions are satisfied. Similarly, awards of equity instruments with non-vesting conditions are treated as vesting if all vesting conditions that are not market conditions are met, irrespective of whether the non-vesting conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised in personnel expenses is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either NIBC or the counterparty are not met.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

Cash-settled transactions

For the cash-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of share-based compensation is recognised as a liability. The liability is re-measured at each reporting date up to and including the settlement date with changes in fair value recognised in the income statement in personnel expenses. The social security contributions payable in connection with the grant of the share options are considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Profit-sharing and bonus plans

A liability is recognised for cash-settled bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to our shareholder after certain adjustments. NIBC recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

Accruals, deferred income and other liabilities

Trade payables are recognised initially at fair value and subsequently measured at AC using the effective interest method.

Income tax

Income tax on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in shareholder's equity (OCI), in which case it is recognised in shareholder's equity (OCI).

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates (and laws) enacted or substantially enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when NIBC intends to settle on a net basis and a legal right of offset exists.

Deferred income tax is provided for in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

NIBC's principal temporary differences arise from the revaluation of certain financial assets and liabilities including derivative contracts, the depreciation of property and tax losses carried forward and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carry-forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to the fair value remeasurement of available for sale investments and cash flow hedges, which are charged or credited directly to OCI, is also credited or charged directly to OCI and is subsequently recognised in the income statement when the deferred gain or loss is recognised in the income statement.

Equity

Share capital
Shares are classified as equity when there is not a contractual obligation to transfer cash or other financial assets.

Capital securities
As there is no formal obligation to (re)pay the principal or to pay a dividend the capital securities are recognised as equity and dividends paid on capital securities, net of tax, are recognised directly in equity.

Issue costs of shares and capital securities
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares and capital securities

Dividends on ordinary shares and capital securities are recognised as a liability in the period that the obligation for payment has been established, being in the period in which they are approved or declared by the shareholder but not distributed at the end of the reporting period.

Revenue recognition

As detailed in the sub-sections below, NIBC recognises the revenue on financial instruments in:

- net interest income;
- investment income;
- net trading income;
- net gains or (losses) from assets and liabilities at FVtPL;
- net gains or (losses) on derecognition of financial assets measured at AC.

in accordance with IFRS 9.

In accordance with IFRS 16 Leases, revenue from finance lease contracts are included in interest income and revenue from operating lease contracts in other operating income.

NIBC recognises revenue in relation to:

- net fee income;
- other operating income,

in accordance with IFRS 15 Revenue from Contracts with Customers, when (or as) a performance obligation is satisfied by transferring a promised service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of NIBC's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within NIBC.

Net interest income

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

Penalty interest is directly recognised under interest income in case of early redemption ((partial) derecognition of the related financial instrument). Penalty interest is directly recognised under interest income in case of an interest reset.

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

Interest income on financial instruments measured at AC and financial assets measured at FVOCI are presented separately within *Interest income from financial instruments measured at AC and FVOCI and Interest expense from financial instruments measured at AC,* with interest on financial instruments at FVtPL presented in *Interest income (or expense) from financial instruments measured at FVtPL*.

Negative interest from liabilities are recognised as interest income, and negative interest from financial assets are recognised as interest expense.

Net fee income

NIBC earns fee income from a diverse range of services it provides to its clients. Fee income can be divided into two broad categories:

- fees earned from services that are provided over a certain period of time, such as (originate to manage) asset or investment management,
- fees earned from point in time services such as underwriting and brokerage fees, structuring – and advisory fees, and performance linked fees from investment management activities.

Over time services

Fees earned from services that are provided over a certain period of time are recognised ratably over the service period provided the fees are not contingent on successfully meeting specified performance criteria that are beyond the control of NIBC (see measurement below).

Costs to fulfil over time services are recorded in the income statement immediately because such services are considered to be a series of services that are substantially the same from day to day and have the same pattern of transfer.

Point-in-time services

Fees earned from providing transaction-type services are recognised when the service has been completed.

Measurement

Fee income is measured based on consideration specified in a legally enforceable contract with a customer, excluding amounts such as taxes collected on behalf of third parties. Consideration can include both fixed and variable amounts. Variable consideration includes refunds, discounts, performance bonuses and other amounts that are contingent on the occurrence or non-occurrence of a future event. Variable consideration that is contingent on an uncertain event can only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue for a contract will not occur. NIBC estimates an amount of variable consideration by using the single most likely amount in a range of possible consideration amounts (i.e. the single most likely outcome of the contract).

In the following table the recognition of revenue under IFRS 15 per main fee revenue earned by NIBC is listed.

Fee revenue	Timing of satisfaction of performance obligation	Measuring progress toward complete satisfaction of a performance obligation
Investment management fees – Originate to manage asset management fees	The performance obligation is satisfied over time. The customer simultaneously receives and consumes the benefits proved by NIBC's performance as it performs.	Straight line over time as the service is provided.
Underwriting fees - Loan syndication fees	Performance obligation is not satisfied over time. As such the revenue recognition is point in time.	Recognition when the service has been completed.
Advisory fees	Performance obligation is not satisfied over time. As such the revenue recognition is point in time.	Recognition when the service has been completed.
Structuring fees not IFRS 9 related such as setting up or advising in SPV structures	Performance obligation is not satisfied over time. As such the revenue recognition is point in time.	Recognition when the service has been completed.
Performance linked fees from asset or investment management activities	Performance obligation is not satisfied over time. As such the revenue recognition is point in time.	Recognition when the service has been completed.

All fee income has a short-term character.

Presentation of fee income and expense
Fee income and expense are presented gross on the face of the income statement.

Investment income
Investment income includes the following income items:

Gains less losses from financial assets
Realised gains or losses from debt investments previously recognised in OCI, and gains or losses from associates and equity investments at FVtPL and impairment losses on equity investments are recognised in the income statement as gains less losses from financial assets.

Dividend income
Dividends are recognised in the income statement when NIBC's right to receive payment is established.

Share in result of associates (equity method)
Share in result of associates includes gains and losses related to investments in associates (equity method).

Net trading income
Net trading income comprises:
- all gains and losses from financial assets held for trading, as well as
- realised gains and losses on financial liabilities held for trading, and
- FX gains and losses.

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

Net gains or (losses) from assets and liabilities at FVtPL comprises

- all gains and losses from financial assets and financial liabilities measured at FVtPL,
- excluding those presented under
  - investment income,
  - net trading income, and
  - OCI (the results from movements in the fair value of financial liabilities that are attributable to changes in NIBC's own credit risk).

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

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

Statement of cash flows

The statement of cash flows, based on the indirect method of calculation, gives details of the source of cash and cash equivalents that became available during the year and the application of these cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operating activities, including banking activities, investment activities and financing activities. Movements in loans and receivables and inter-bank deposits are included in the cash flow from operating activities. Investing activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as investments in and sales of subsidiaries and associates, property, plant and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Movements due to currency translation differences as well as the effects of the consolidation of acquisitions, where of material significance, are eliminated from the cash flow figures.

Fiduciary activities

NIBC acts in fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets are excluded from these financial statements as they are not assets of the group. Related fee income arising thereon is recognised under fee income.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

NIBC makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and judgements are principally made in the following areas:

- Fair value of certain financial instruments;
- ECL of financial instruments not measured at FVtPL;
- Income taxes, and
- Consolidation of SEs.

Fair value of certain financial instruments

The fair value of financial instruments is determined based on quoted market prices in an active market or, where no active market exists, by using valuation techniques. In cases where valuation techniques are used, the fair values are estimated from market observable data, if available, or by using models. Where market-observable inputs are not available, they are estimated based on appropriate assumptions.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those who prepared them. All models are reviewed prior to use and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent possible, models use only observable data; however, in areas such as applicable credit spreads (both own credit spread and counterparty credit spreads), volatilities and correlations may require management to estimate inputs.

Changes in assumptions could affect the reported fair value of financial instruments. For the identification of assumptions used in the determination of fair value of financial instruments and for estimated sensitivity information for level 3 financial instruments, except for own liabilities, see note 43 Fair value of financial instruments.

Own liabilities designated at fair value through profit or loss

At 31 December 2021, the fair value of these liabilities was estimated to be EUR 329 million (31 December 2020: EUR 336 million). This portfolio is designated at FVtPL and is reported on the face of the balance sheet under the following headings:

- Financial liabilities at FVtPL: Debt securities in issue structured;
- Financial liabilities at FVtPL: Subordinated liabilities.

The portion of fair value changes on these liabilities designated at FVtPL during 2021 attributable to the movement in credit spreads as reported in note 34 Debt securities in issue structured (designated at fair value through profit or loss) and note 39 Subordinated liabilities (designated at fair value through profit or loss) reflects gross amounts.

The bank estimates its own credit risk from market observable data such as NIBC senior unsecured issues, NIBC subordinated issues and secondary prices for its traded debt.

The valuation of all the above classes of financial liabilities designated at FVtPL is sensitive to the estimated credit spread used to discount future expected cash flows.

Refer to note 43.7 Own credit adjustments on financial liabilities designated at fair value for the sensitivity analysis.

Valuation of corporate derivatives (Credit Value Adjustments & Debit Value Adjustments)
CVAs and DVAs are incorporated into derivative valuations to reflect the risk of default of respectively the counterparty and NIBC. In essence, CVA represents an estimate of the discounted *Expected Loss* (**EL**) on an *Over The Counter* (**OTC**) derivative during the lifetime of a contract. DVA represents the estimate of the discounted EL from the counterparty's perspective. Both CVA and DVAs are applied to all OTC derivative contracts, except those that benefit from a strong collateral agreement where cash collateral is regularly exchanged, mitigating credit risk.

Fair value of equity investments
The group estimates the fair value of its equity investments using valuation models, and it applies the valuation principles set forth by the International Private Equity and Venture Capital Valuation Guidelines to the extent that these are consistent with IFRS 9.

On 31 December 2021, the fair value of this portfolio, reported as equity investments (including investments in associates) at FVtPL, was estimated to be EUR 221 million (31 December 2020: EUR 212 million).

For the determination of the fair value of equity investments and for estimated sensitivity to key assumptions in the valuation, see note 43 Fair value of financial instruments.

Expected Credit Loss of financial instruments not measured at fair value through profit or loss

The calculation of ECL requires management to apply significant judgment and make estimates and assumptions that involve significant uncertainty at the time they are made. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECL to be recognised. Reference is made to the corresponding notes for the nature and carrying amounts of the ECL of financial instruments not measured at FVtPL.

Determination of a Significant Increase of Credit Risk
IFRS 9 does not include a definition of what constitutes SICR. NIBC assesses whether a SICR has occurred since initial recognition based on qualitative and quantitative reasonable and supportable forward-looking information that includes significant management judgment.

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

The macroeconomic projections in the baseline scenario are the most important determinant of the final ECL amount. The combined impact of macroeconomic scenarios, applied to the corporate loan and mortgage loan portfolios, on the ECL is limited.

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

Modelling and management adjustments
A number of models have been developed or modified to calculate ECL. Internal counterparty rating changes, new or revised models and data may significantly affect ECL. Management adjustments, based on counterparty details, can be applied when deemed necessary. The models are governed by NIBC's risk department, which aims to ensure independent verification.

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

Analysis on Sensitivity
Refer to note 12 Impairments of financial and non-financial assets.

Income taxes

Deferred tax assets (**DTA**) are included only if it is probable that taxable profits will be realised in the conming four years against which these temporary differences can be offset. When determining future taxable profits, estimates are used since these are subject to uncertainty.

Consolidation of structured entities

The consolidation of SEs is a critical estimate that requires judgement and is described in note 51 Structured entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Segment report

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

Operating segments

The operating segments are as follows:

Corporate Client Offering

Corporate Client Offering provides advice and debt, leasing, 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: Financial Sponsors, Fintech, Infrastructure, Life Sciences, Food Mobility and Manufacturing, Offshore Energy, *Commercial Real Estate* (**CRE**), Technology and Shipping.

Retail Client Offering

Retail Client Offering offers mortgage loans, buy-to-let mortgage loans and savings products to NIBC's retail clients. The mortgage loan products are offered in the Netherlands, and the savings products are offered in the Netherlands, Germany and Belgium. In addition, we offer ancilliary brokerage services to our retail clients in Germany under our 'NIBC Direct' label.

Treasury and Group Functions

Treasury and Group Functions include NIBC's treasury function, asset and liability management, risk management and the bank's Corporate Centre which includes HR & Corporate Communications, Internal Audit, Legal & Compliance, Sustainability, Operations & Facilities, Information Technology, and Finance, Tax & Corporate Development. A substantial part of the operating expenses as well as the *full time equivalents* (**FTEs**) of Group Functions are allocated to Corporate and Retail Client Offering.

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

Certain financial assets and liabilities are not allocated to Corporate Client Offering and Retail Client Offering as they are managed on a group basis. These financial assets and liabilities are held within the segment Treasury and Group Functions and mainly comprise cash, debt investments, derivative assets and liabilities as well as majority of the holding's funding. As the assets of Corporate Client Offering and Retail Client Offering are largely funded internally with transfer pricing, the majority of NIBC's external funding is held within Treasury and Group Functions.

Inter-segment 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 United Kingdom and Belgium. The income and expenses incurred at each location are disclosed in a separate table.

The following table presents the Segment report comprising to the consolidated results under IFRS for the year ended 31 December 2021.

	For the year ended 31 December 2021			
in EUR millions	Corporate Client Offering	Retail Client Offering	Treasury & Group Functions	Total (consolidated financial statements)
Net interest income	150	152	58	361
Net fee income	11	34	0	46
Investment income	84	-	0	84
Net trading income	3	(0)	(3)	(0)
Net gains or (losses) from assets and liabilities at fair value through profit or loss	3	(1)	12	14
Net gains or (losses) on derecognition of financial assets measured at amortised cost	(7)	-	-	(7)
Other operating income	-	0	0	0
Operating income	**244**	**186**	**67**	**497**
Other operating expenses	95	79	41	215
Regulatory charges and levies	-	15	5	20
Operating expenses	**95**	**94**	**46**	**235**
Credit loss expense	39	(3)	(1)	35
Impairments of non-financial assets	-	-	-	-
Profit before tax	**110**	**95**	**21**	**226**
Tax	10	24	3	37
Profit after tax	**100**	**71**	**19**	**190**
Attributable to				
Shareholders of the company	100	71	7	178
Holders of capital securities (non-controlling interests)			12	12
Total FTEs	370	196	71	637
Segment assets	5,941	11,665	5,052	22,658

Other operating expenses include all operating expenses except regulatory charges and levies.

The following table presents the income and expenses incurred at each location for 2021:

	For the year ended 31 December 2021				
in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	**Total**
Operating income	432	40	19	5	497
Operating expenses	204	25	4	2	235
Credit loss expense	12	21	3	-	35
Impairments of non-financial assets	-	-	-	-	-
Profit before tax	**217**	**(5)**	**13**	**3**	**226**
Tax	34	(1)	3	1	37
Profit after tax	**183**	**(4)**	**9**	**2**	**190**
FTEs	562	44	25	6	637
Segment assets	22,658	-	-	-	22,658

The following table presents the Segment report comprising to the consolidated results under IFRS for the year ended 31 December 2020.

	For the year ended 31 December 2020			
in EUR millions	Corporate Client Offering	Retail Client Offering	Treasury & Group Functions	Total (consolidated financial statements)
Net interest income	161	148	78	386
Net fee income	15	28	0	43
Investment income	6	-	1	7
Net trading income	(8)	-	2	(6)
Net gains or (losses) from assets and liabilities at fair value through profit or loss	(10)	-	(18)	(27)
Net gains or (losses) on derecognition of financial assets measured at amortised cost	(1)	-	4	3
Other operating income	0	-	0	0
Operating income	**163**	**175**	**68**	**407**
Other operating expenses	101	66	27	194
Regulatory charges and levies	-	10	6	16
Operating expenses	**101**	**76**	**33**	**210**
Credit loss expense	126	7	1	134
Impairments of non-financial assets	-	-	1	1
Profit before tax	**(64)**	**92**	**34**	**62**
Tax	(16)	23	(6)	1
Profit after tax	**(49)**	**69**	**40**	**61**
Attributable to				
Shareholders of the company	(49)	69	28	49
Holders of capital securities (non-controlling interests)			12	12
Total FTEs	367	169	108	644
Segment assets	6,205	9,860	4,990	21,055

The following table presents the income and expenses incurred at each location for 2020:

	For the year ended 31 December 2020				
in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	**Total**
Operating income	340	51	6	10	407
Operating expenses	178	26	4	3	210
Credit loss expense	137	(4)	-	-	134
Impairments of non-financial assets	1	-	-	-	1
Profit before tax	**24**	**29**	**2**	**7**	**62**
Tax	(5)	5	-	1	1
Profit after tax	**29**	**23**	**2**	**6**	**61**
FTEs	552	61	25	6	644
Segment assets	21,055	-	-	-	21,055

2 Net interest income

in EUR millions	2021	2020
Interest and similar income		
Interest income from financial instruments measured at amortised cost and fair value through other comprehensive income	**489**	**528**
Cash and balances central banks	2	6
Due from other banks	1	-
Debt investments	1	1
Loans	203	243
Lease receivables	(0)	1
Mortgage loans	299	303
Derivatives related to assets at amortised cost	(16)	(27)
Interest income from financial instruments measured at fair value through profit or loss	**10**	**12**
Debt investments	3	6
Loans	6	2
Derivatives	1	4
	499	**540**
Interest expense and similar charges		
Interest expense from financial instruments measured at amortised cost	**134**	**147**
Cash and balances central banks	10	6
Due to other banks	4	5
Deposits from customers	51	70
Debt securities	65	64
Subordinated liabilities	3	4
Debt investments	2	-
Derivatives related to liabilities at amortised cost	(1)	(5)
Other	1	2
Interest expense from financial instruments measured at fair value through profit or loss	**4**	**6**
Debt securities	6	7
Subordinated liabilities	5	6
Derivatives	(7)	(7)
Other	0	1
	138	**153**
	361	**386**

Hedge accounting is applied for the derivatives related to assets or liabilities at AC. For further details on hedge accounting refer to note 19 Derivative financial instruments (FVtPL).

Interest income includes negative interest from liabilities for an amount of EUR 50 million (2020: EUR 35 million). This amount includes the negative interest from TLTRO loans for an amount of EUR 2 million (2020: EUR 5 million). As TLTRO II matured in the first half of 2021, as per 31 December 2021, NIBC holds only drawn amounts under the TLTRO III program with remaining maturities of three years (maturity in 2024) and of one and a half year (maturity in 2023).

Interest expense includes negative interest from financial assets for an amount of EUR 68 million (2020: EUR 53 million).

The negative interest expense on derivatives at fair value through profit or loss relates mainly to the structured funding portfolio. The net interest on the structured funding portfolio is an expense.

3 Net fee income

in EUR millions	2021	2020
Fee income per segment and major service lines		
Corporate Client Offering		
Originate-to-Manage loans	4	5
Lending related fees	6	7
M&A fees	2	2
Fee income Corporate Client Offering	**11**	**15**
Retail Client Offering		
Originate-to-Manage mortgage loans	34	28
Other retail fees	1	-
Fee income Retail Client Offering	**34**	**28**
Total fee income	**46**	**43**

The increase of fees related to *Originate-to-Manage* (**OTM**) mortgages in the Retail Client Offering is a reflection of both the larger Originate-to-Manage portfolio during the year as well as the continued strong origination volumes.

4 Investment income

in EUR millions	2021	2020
Share in result of associates and joint ventures accounted for using the equity method	1	-
Equity investments (fair value through profit or loss)		
Gains less losses from associates	31	(2)
Gains less losses from other equity investments	51	9
	84	**7**

Investment income in 2021, includes EUR 40 million from sales of direct investments, positive revaluations of EUR 32 million and EUR 7 million from fund investments and our FinTech equity portfolio respectively.

5 Net trading income or (loss)

in EUR millions	2021	2020
Financial instruments mandatory measured at fair value through profit or loss		
Debt investments held for trading	2	(9)
Other assets and liabilities held for trading	(3)	2
Other net trading income	0	1
	(0)	**(6)**

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

in EUR millions	2021	2020
Financial instruments		
Financial instruments mandatory at fair value through profit or loss other than those included in net trading income		
Debt securities	3	1
Derivatives held for hedge accounting		
Fair value hedges of interest risk rate	6	(8)
Cash flow hedges of interest risk rate	(0)	(1)
Interest rate instruments	2	(7)
Loans	2	(10)
Other		
Foreign exchange	1	-
Non-financial instruments		
Investment property		
Investment property - revaluation result	1	(3)
	14	**(27)**

Debt securities report a gain of EUR 3 million, related to repurchased securities (2020: gain of EUR 1 million).

Fair value hedges of interest risk rate report a gain of EUR 6 million in 2021 (2020: loss of EUR 8 million). This can be attributed to a loss of EUR 79 million on the hedged items (2020: gain of EUR 41 million) and a gain of EUR 85 million on the hedging instruments (2020: loss of EUR 48 million).

Interest rate instruments (economic hedge but without hedge accounting) report a gain of EUR 2 million in 2021 (2020: loss of EUR 7 million). This result includes a gain of EUR 2 million related to *Credit Value Adjustment* (**CVA**) (2020: gain of EUR 2 million). There is no result due from hedges that cannot be included in hedge accounting (2020: loss of EUR 8 million) and no result in cross currency swaps (2020: gain of EUR 2 million).

Corporate loans report a gain of EUR 3 million (2020: loss of EUR 10 million), which is the net result of EUR 6 million positive revaluations and EUR 3 million negative revaluations, related to corporate loans recognised at FVtPL (see note 18 Loans at FVtPL).

Investment property revaluation includes land and buildings revalued as of 31 December 2021 based on an independent external appraisal. Land and buildings with the available for rental status increased in value, leading to a gain of EUR 1 million net of tax in 2021 (2020: loss of EUR 3 million).

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

in EUR millions	2021	2020
Loans	(7)	3
	(7)	**3**

This result relates to the sale of a loans, the risk and rewards related to the loans have been transferred.

8 Personnel expenses and share-based payments

in EUR millions	2021	2020
Salaries	65	63
Severance payments[1]	12	6
Compensation external employees	5	7
Variable compensation:		
Cash bonuses	2	2
Share-based and deferred bonuses including expenses relating to previous years' grants	2	1
One-off transaction bonus	-	2
One-off retention package	6	0
Pension and other post-retirement charges:		
Defined-contribution plan[2]	14	15
Other post-retirement charges/(releases) including own contributions of employees	(2)	(2)
Social security charges	7	7
Other staff expenses	1	0
	111	**101**

1 2021 includes the severance payment related to the leave of an ExCo-member following the Focus and Accelerate project.
2 2020 includes a one-off additional contribution of EUR 1 million to NIBC's pension fund due to the takeover of NIBC by Flora Acquisition B.V.

Full-Time Equivalents

The number of FTEs decreased from 644 at 31 December 2020 to 637 at 31 December 2021. The average number of FTEs decreased from 658 in 2020 to 641 in 2021. The number of FTEs outside of the Netherlands decreased from 92 at 31 December 2020 to 75 at 31 December 2021.

In 2021 NIBC announced its focused strategy, i.e. focusing on offering asset-backed products to both individuals and corporates through various labels. As a consequence NIBC will have to let go 63 employees over time, spread over the Netherlands (33), Germany (28) and the UK (2). The transition is expected to be completed in 2022.

Salaries

In 2021, salary expenses increased compared to 2020 mainly due to an increase of base salaries, as well as a higher amount for one-off expenses due to various staff changes (EUR 1.5 million in 2021, versus EUR 0.8 million in 2020).

Severance payments

In 2021, NIBC's focused strategy was announced. The total staff reduction costs in 2021 related to this amounts to EUR 12.0 million (2020: EUR 5.8 million).

One-off transaction bonus

Due to the successful acquisition of NIBC Holding N.V. by Flora Acquisition B.V. a one-off transaction bonus of EUR 2.500 gross was granted and paid to all staff employed by NIBC on 30 December 2020.

One-off retention package

To ensure the necessary stability and continuity of the Company following the acquisition of NIBC Holding N.V. by Flora Acquisition B.V., a one-off retention package was introduced for the Managing Board members, the ExCo-members and a limited group of key staff. This one-off retention package, a cash settled arrangement with a magnitude of EUR 5.7 million, was unconditionally granted on 30 December 2021. Consequently, the one-off retention package has been fully expensed in 2021.

In 2021, three employees were awarded a total compensation of more than EUR 1 million (2020: one employee).

Expenses related to Statutory Board

in EUR	2021	2020
The breakdown of the total remuneration of the Statutory Board is as follows:[1]		
Cash compensation (base salary)	3,637,314	2,424,876
One-off retention package unconditionally granted on 30 December 2021	4,434,587	-
Vesting of prior years' short-term deferred share awards compensation[2]	71,172	139,223
Pension costs	952,179	637,258
Other remuneration elements	122,502	135,109
	9,217,754	**3,336,466**

1 Statutory Board is equal to Managing Board.
2 Expensed through the income statement in the current year, related to vesting of share related awards in prior year(s).

in EUR	2021	2020
Total remuneration of the Supervisory Board is as follows:		
Annual fixed fees, committee fees	872,183	532,327
Value added tax charged on Supervisory Board remuneration	4,566	74,157
	876,749	**606,484**

Components of variable compensation

As of the financial year 2020 the majority of the employees in the Netherlands are no longer eligible for variable compensation.

Only staff in the international offices and some specific, predetermined departments in the Netherlands are eligible for variable compensation.

The following table gives an overview of the current and former components of variable compensation and their main characteristics:

Components of variable compensation	Share based	Equity/Cash-settled	Vesting conditions
Common Depositary Receipt (CDR)[1]	Yes	Equity-settled	None
CDRs awarded under the IPO-related one-off retention package ExCo	Yes	Equity-settled	1 year vesting
CDRs under Depositary Receipt Purchase Plan 2018 and 2019 (DRPP)	Yes	Equity-settled	None
Phantom Share Unit (PSU)[2]	Yes	Cash-settled	None
Restricted Phantom Share Unit (RPSU)[2]	Yes	Cash-settled	4 years pro rata vesting[3]
Deferred cash	No	Cash-settled	4 years pro rata vesting

1 After the acquisition of NIBC Holding N.V. by Flora Acquisition B.V., no CDRs related to NIBC Holding shares will be granted anymore. CDR's related to NIBC Holding shares (not settled as part of the acquisition) are exchanged into CDRs related to ordinary A2-shares of Flora Holdings III Limited in January 2021.
2 Continued service of the employee until vesting is not a requirement for granting of the different instruments part of the one-off retention packages.
3 Granted (R)PSU before1/1/2021 knows a 3 years pro rata vesting period.

Depositary receipts

The CDRs are issued by STAK in accordance with its relevant conditions of administration.

As the CDRs related to NIBC Holding N.V. were exchanged by Stichting Administratiekantoor NIBC Holding N.V. into CDRs in the indirect parent company of NIBC Holding N.V., Flora Holdings III Limited, management of Stichting Administratiekantoor NIBC Holding N.V. has been handed over to representatives of the Blackstone Group in 2021.

One-off retention package Executive Committee members

On 23 March 2018, the date of the *Initial Public Offering* (**IPO**), NIBC granted a retention package of CDRs to the members of the ExCo. For Statutory Board members of the ExCo, the monetary value of the retention package was set at 180 per cent of their fixed annual gross salary. At that date the fixed annual gross salary was EUR 825,000 for the *Chief Executive Officer* (**CEO**) and EUR 600,000 for each of the *Chief Financial Officer* (**CFO**) and *Chief Risk Officer* (**CRO**), therefore the gross monetary value of the retention package was EUR 1,485,000 for the CEO and EUR 1,080,000 for each of the CFO and CRO. For non-statutory members of the ExCo, the monetary value of the retention package was set at 165 per cent of their fixed annual gross salary. The fixed annual gross salary for each of the non-statutory members of the ExCo was EUR 350,000 and therefore the gross monetary value of the retention package was EUR 577,500.

Under the one-off retention package, on 23 March 2018 and 23 March 2019 CDRs were granted and will be vested for dividend eligibility in accordance with a predefined vesting schedule.

As at the moment of change of control (30 December 2020), current members of the Statutory Board held 349,237 Common Depositary Receipts (CDRs). Due to regulatory restrictions the 349,237 NIBC Holding shares related to CDRs held by the members of the Statutory Board were exchanged by Stichting Administratiekantoor NIBC Holding like for like into 2.786.106 ordinary A2-shares of Flora Holdings III Limited in January 2021.

The CDRs of the Statutory Board (and ExCo) had special vesting and holding conditions which could not be waived. In the first half of 2021 the cash proceeds of the 349,237 shares kept by Stichting Administratiekantoor NIBC Holding N.V. (STAK) related to CDRs held by the Statutory Board were converted into Blackstone related instruments in order to continue adherence to the conditions such as vesting and lock-up periods applicable for the CDRs. The lock up period cannot be waived, and the retention package arrangement does not provide for any circumstances which may result in automatic waiver of the lock-up period.

The retention package is subject to the holdback and claw back provisions as set out in the remuneration policy of NIBC and as set out in article 2:135 of the Dutch Civil Code and article 1:126 and 1:127 of the Dutch Financial Supervision Act. After the change of control of NIBC Holding N.V. at 30 December 2020 these provisions remain in place.

One-off retention package ExCo members related to the acquisition of NIBC Holding N.V. by Flora Acquisitions B.V.
To ensure the necessary stability and continuity of the Company following the acquisition of NIBC Holding N.V. by Flora Acquisition B.V., a one-off retention package was introduced for the Managing Board members, the ExCo members and a limited group of key staff. This one-off retention package, a cash settled arrangement with a magnitude of EUR 5.7 million, was unconditionally granted on 30 December 2021.

The granted components of this retention package were split in Cash (20%), Deferred Cash (30%), PSUs (20%) and RPSUs (30%). Deferred Cash and RPSU will be vested[1] in a 4 years period (1/4 per year), starting 30 December 2021. For Managing Board members the granted PSUs and RPSUs under the retention package have a holding periode of five years. For other ExCo members the holding period for vested PSUs and vested RPSUs is one year.

Phantom Share Units (PSUs) and Restricted Phantom Share Units (RPSUs)
The short-term compensation in share-related awards consists of PSUs and/or RPSUs. RPSU awards are subject to a four-year vesting with one fourth vesting each year on 1 April. All PSUs and RPSUs are subject to a one-year retention period as measured from the date of vesting. For the Statutory Board the lock-up period of the equity-linked instruments is five years. RPSUs are not eligible for dividend. After the delisting of the ordinary shares of NIBC Holding N.V. on the Euronext stock exchange the fair value per ordinary share is based on the price to book ratio that is applied for valuation purposes of NIBC Holding N.V. by Blackstone. This short term compensation can be converted into cash immediately after the retention period and therefore is recognised as cash settled.

1 Continued service until vesting is not a requirement for vesting.

Share plans

Common Depositary Receipts - ordinary shares NIBC Holding N.V.

	Depositary Receipt (in numbers)		Fair value at balance sheet date (in EUR)	
	2021	2020	2021	2020
Balance at 1 January	**470,488**	**1,007,871**		
Decertification CDRs in ordinary shares[1]	-	(144,491)		
Release due to tender of underlying ordinary shares	-	(392,892)		
Conversion to CDRs of ordinary A2 shares Flora Holding III Ltd.	(470,488)			
Balance at 31 December	**-**	**470,488**	**7.98**	**7.00**
Of which relates to investment from own funds at 31 December	**-**	**94,133**		

1 (Former) employees of NIBC requested until 30 December 2020 to transfer underlying ordinary shares of CDRs, not subject to any lock-up, to their own securities account.

In respect of the all-cash offer of Flora Acquisition B.V. on the issued and outstanding shares of NIBC Holding, the STAK has tendered 392.892 of its shares related to CDRs. Settlement of the tendered shares took place on 30 December 2020. Due to regulatory restrictions the 470,488 NIBC shares related to CDRs held by ExCo members were exchanged by Stichting Administratiekantoor NIBC Holding N.V. like for like into 3.753.408 ordinary A2 shares of Flora Holdings III Limited in January 2021.

Phantom Share Units

As at year-end 2021, 340,688 (2020: 280,973) PSUs had been issued to employees. The total outstanding position is cash-settled.

	Phantom Share Units (in numbers)		Weighted average fair value at grant date (in EUR)	
	2021	2020[1]	2021	2020
Changes in phantom share units:				
Balance at 1 January	**280,973**	**319,635**	**7.56**	**7.99**
Granted	16,100	28,181	7.98	7.00
Granted as part of one-off retention package 30 December 2021	149,992		7.70	
Vesting of RPSUs	77,269	80,111	7.69	8.07
Exercised	(183,646)	(146,954)	7.53	8.18
Balance at 31 December	**340,688**	**280,973**	**7.82**	**7.56**

1 The number of (restricted) phantom share units of 2020 is calculated based upon the share price paid by Flora Acquisition B.V. at transaction date (EUR 7.00). The number of (restricted) phantom share units that will be finally granted will be based upon the latest valuation per 'Share', being an ordinary share in the share capital of NIBC Holding N.V. ('NIBC Holding') on the Award Date, based on the valuation used by The Blackstone Group Inc. or its affiliates ('Blackstone') to value its investment in NIBC Holding through Flora Holdings III Limited and Flora Acquisition B.V. for the purposes of Blackstone's own investors.

Restricted Phantom Share Units

As at year end 2021, 314,121 (2020: 169,061) RPSUs had been issued to employees. The total outstanding position is cash-settled.

	Restricted Phantom Share Units (in numbers)		Weighted average fair value at grant date (in EUR)	
	2021	2020[1]	2021	2020
Changes in restricted phantom share units:				
Balance at 1 January	**169,061**	**248,432**	**7.44**	**7.91**
Granted	8,544	15,657	7.98	7.00
Granted as part of one-off retention package 30 December 2021	224,982		7.70	
Vesting of RPSUs	(77,269)	(80,111)	7.69	8.07
Forfeited	(11,198)	(14,917)	7.33	7.58
Balance at 31 December	**314,121**	**169,061**	**7.61**	**7.44**

1 The number of (restricted) phantom share units of 2020 is calculated based upon the share price paid by Flora Acquisition B.V. at transaction date (EUR 7.00). The number of (restricted) phantom share units that will be finally granted will be based upon the latest valuation per 'Share', being an ordinary share in the share capital of NIBC Holding N.V. ('NIBC Holding') on the Award Date, based on the valuation used by The Blackstone Group Inc. or its affiliates ('Blackstone') to value its investment in NIBC Holding through Flora Holdings III Limited and Flora Acquisition B.V. for the purposes of Blackstone's own investors.

Result recognition

With respect to all components of variable compensation (cash, deferred cash, PSUs and RPSUs), an amount of EUR 10 million was expensed through personnel expenses in 2021 (2020: EUR 4 million). For cash settled instruments (deferred cash, PSUs and RPSUs), the amount expensed during the vesting period through the income statement is based on the number of instruments originally granted outstanding at balance sheet date, their fair value at balance sheet date, the vesting period and estimates of the number of instruments that will forfeit during the remaining vesting period. The liability at balance sheet date with respect to cash settled instruments is EUR 8 million (31 December 2020: EUR 3 million).

9 Other operating expenses

in EUR millions	2021	2020
Other operating expenses		
Building, housing and services expenses	3	3
Car, travel and accommodation expenses	1	1
Project expenses and consultants	23	19
Control and supervision	4	4
Marketing expenses	3	2
Other employee expenses	4	2
ICT expenses	25	25
Communication expenses	1	1
Data expenses	4	5
Process outsourcing	24	22
Other general expenses	3	2
Expense relating to leases of low-value assets	1	1
Fees of auditors	3	3
	99	**89**

Fees of auditors 2021

in EUR thousands	External auditor	Other network	Other audit firms	Total
Fees of auditors				
Audit of financial statements NIBC	2,422	-	-	2,422
Audit of financial statements Subsidiaries	-	49	113	162
Other audit-related services NIBC	311	-	14	324
Other audit-related services Subsidiaries	-	48	59	108
Other non-audit related services NIBC	9	-	1	10
Tax services NIBC	-	-	29	29
	2,742	**97**	**216**	**3,055**

Fees of auditors 2020

in EUR thousands	External auditor	Other network	Other audit firms	Total
Fees of auditors				
Audit of financial statements NIBC	2,304	-	-	2,304
Audit of financial statements Subsidiaries	-	40	181	221
Other audit-related services NIBC	398	-	-	398
Other audit-related services Subsidiaries	-	47	66	113
Other non-audit related services NIBC	-	-	30	30
Other non-audit related services Subsidiaries	-	-	4	4
Tax services NIBC	-	-	48	48
	2,702	**87**	**328**	**3,117**

Fees as disclosed in the previous table relate to the network of the Group's auditors and are the amounts related to the respective years, i.e. on an accrual basis.

The fees listed above relate to the procedures applied to NIBC and its consolidated group entities by accounting firms and external independent auditors as referred to in Section 1(1) of the Dutch Audit Firms Supervision Act (Dutch acronym: Wta), as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

10 Depreciation and amortisation

in EUR millions	2021	2020
Property and equipment (in own use)	5	5
	5	**5**

11 Regulatory charges and levies

in EUR millions	2021	2020
Resolution levy	5	6
Deposit Guarantee Scheme	15	10
	20	**16**

The increase in the Deposit Guarantee Scheme contribution can mainly be explained by the additional regulatory supplementation charges a result of NIBC's relative high increase of guaranteed saving deposits.

12 Impairments of financial and non-financial assets

Financial assets

Credit loss expenses

in EUR millions	2021	2020
Financial assets at amortised cost/fair value through other comprehensive income		
Debt investments	(1)	1
Corporate loans	30	120
Lease receivables	8	4
Mortgage loans	(3)	7
Debtors	0	-
Total for on-balance sheet financial assets (in scope of ECL requirements)	**35**	**133**
Off-balance sheet financial instruments and credit lines		
Irrevocable loan commitments and guarantees	0	1
Total for off-balance sheet financial assets (in scope of ECL requirements)	**0**	**1**
	35	**134**

The credit losses for corporate loans are mainly related to changes in stage 3 assets. Following the regular ECL process, stage 1 and 2 exposures reported a release, mainly driven by portfolio dynamics, including substantial (p)repayments. Following additional reviews, of the ECL model outcomes for stage 1 and 2 exposures, management overlays were taken as explained further below. The management overlay on corporate exposures amounts to EUR 5 million (2020: EUR 6 million) and on mortgage loan exposures amounts to EUR 8 million (2020: EUR 9 million).

Management overlay

1. Corporate exposures

As the ECL modelling outcome is the result of assumptions and inputs, executed in a time frame around reporting date, the outcome may not fully reflect all risks and circumstances as they are present at reporting date. It is unlikely that these circumstances are fully captured in the predictive value of the model, nor are they included in the historical data on which the models have been constructed. In this period of increased uncertainty, especially with respect to economic developments and the potential long-term effects of government support, a management overlay is recognised to correctly reflect all risks and uncertainties per 31 December 2021.

The nature of the management overlay focuses on sectors with elevated risk exposures, which are Energy and our German exposures in Leveraged Finance and Mid Markets Corporates.

2. Mortgage loans

The increasing house prices result in further decreasing LGDs , and consequently further decreasingestimated credit losses. NIBC considered the current uncertainty on future developments in unemployment, the house prices together with elevating inflation. With elevating inflation levels and expected increase in interest rates there is uncertainty on the refinancing risk for mortgages. NIBC performed a stresstest to assess the impact of a decline in the house price index. We consider this variable representative for the other elements of uncertainty. The outcome of the stress test was one of the considerations to include the ECL management overlay on mortgage loans.

The resulting coverage ratios are reported below. The impact of the adjustments per stage shows the coverage ratios per asset class, including the effects of the any management overlay for both corporate as well as retail impairment coverage ratios.

The total impact on the income statement of the ECL management overlay amounts to a gain of EUR 2 million (2020: EUR 15 million expense).

Coverage ratios including overlay (drawn and undrawn)

	Stage 1	Stage 2	Stage 3
Corporate Client Offering			
Commercial Real Estate (incl. OIMIO)	0.2%	0.8%	23.9%
Energy	0.8%	3.5%	26.2%
Financial Sponsors & Leveraged Finance	0.7%	3.4%	58.4%
Fintech & Structured Finance (incl. Mobility and FinQuest)	0.3%	2.2%	49.5%
Infrastructure	0.1%	10.1%	0.0%
Lease receivables	0.0%	0.0%	73.1%
NIBC Investment Partners	0.8%	2.9%	32.0%
Mid-Markets Corporates	0.3%	3.9%	18.9%
Shipping	0.3%	0.4%	32.9%
Retail Client Offering			
Mortgages	0.0%	5.0%	1.0%

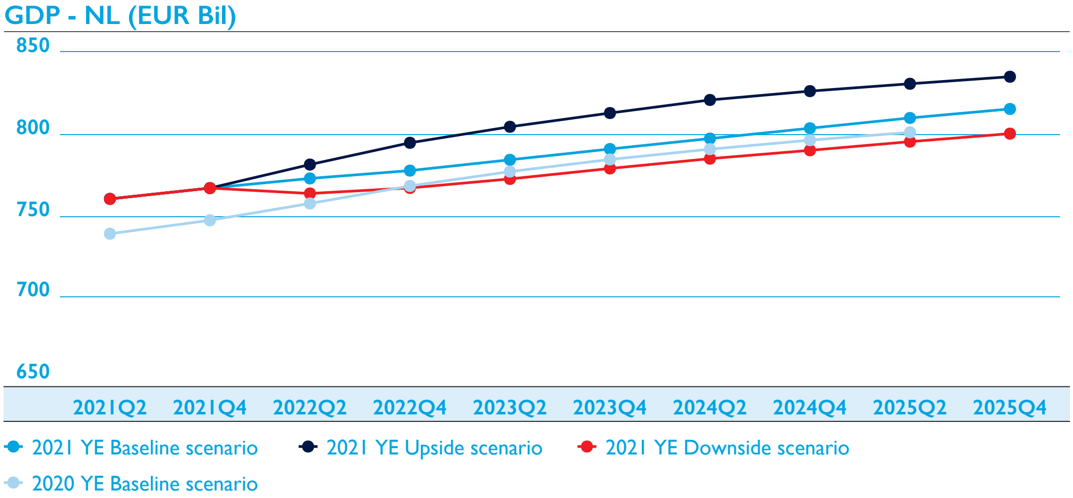
NIBC has internal governance in place to monitor (through senior management review) the effectiveness of the ECL models and the requirement for a potential management overlay.

Macroeconomic scenarios

NIBC updates the macroeconomic scenarios twice a year. For the year-end ECL calculations, NIBC has made adjustments on the macroeconomic scenarios to reflect the impact of the on-going COVID-19 pandemic as well as the response by governments and monetary authorities. Key changes to macroeconomic assumptions and the related economic scenarios which affect the ECL estimate are disclosed below.

The macroeconomic scenarios applied have incorporated governments' actions in the fourth quarter in response to the continued pandemic, including renewed lockdowns.

The persistent lockdown still has its impact on the Dutch economy. The recent elevating inflation levels, the expected increase of interest rates and house price development have been taken into account in the overlay per 31 December 2021. NIBC deems it appropriate to reflect potential impact of higher inflation and rising interest rates on customers' ability to pay and expected negative impact on property valuations, as well as remaining unemployment and exposure to the sectors hospitality and cultural sector.



The following table shows significant parameters to the economic outlook with regards to Dutch *Gross Domestic Product* (**GDP**), Oil Price and House Price index.

	2021	2022	2023	2024	2025	2021FY
GDP (NL)	3.8%	2.3%	1.5%	1.6%	1.5%	0.7%
GDP (UK)	7.1%	5.5%	3.5%	2.0%	1.0%	5.7%
GDP (DE)	2.5%	3.8%	2.8%	2.5%	1.6%	2.6%
Oil Price	73.5%	-3.2%	-8.8%	1.5%	3.3%	53.9%
House Price Index (NL)	14.2%	6.3%	0.7%	0.2%	0.1%	8.8%
House Price Index (DE)	9.6%	7.8%	6.0%	5.3%	4.7%	7.1%

NIBC has reviewed scenarios and weights assigned to individual scenarios but decided not to adjust assumptions compared to 2020. The impact of adjusting the scenario weights on the ECL position has been assessed. Summarising, the updates of the macroeconomic scenarios during 2021 have led to a decrease in ECL of EUR 3 million.

Significant Increase of Credit Risk

NIBC has considered the SICR methodology in the light of the COVID-19 measures, but decided to maintain the current methodology.

Next to financial forward looking information NIBC also considers non-financial forward looking information in determining ECL levels.

Analysis on sensitivity

The following tables show the ECL sensitivities of financial instruments not measured at FVtPL.

Sensitivity analysis ECL stages 1 and 2 Corporate loans (drawn and undrawn, excluding management overlay and POCI)

Scenario	Macroeconomic variables[1]	2021	2022	2023	Unweighted ECL stages 1 and 2	Probability weighing in %	Reported ECL stages 1 and 2
		% year-on-year change			in EUR million	%	in EUR million
Upside scenario	GDP (NL)	3.8%	3.7%	2.8%	35.7	30.0%	39.0
	GDP (UK)	7.1%	8.8%	2.9%			
	GDP (DE)	2.5%	5.9%	3.9%			
	HPI (NL)	14.2%	8.1%	3.3%			
	HPI (DE)	9.6%	10.3%	8.1%			
	Oil Price	73.5%	0.4%	-4.8%			
Baseline scenario	GDP (NL)	3.8%	2.3%	1.5%	38.9	32.5%	
	GDP (UK)	7.1%	5.5%	3.5%			
	GDP (DE)	2.5%	3.8%	2.8%			
	HPI (NL)	14.2%	6.3%	0.7%			
	HPI (DE)	9.6%	7.8%	6.0%			
	Oil Price	73.5%	-3.2%	-8.8%			
Downside scenario	GDP (NL)	3.8%	1.1%	1.2%	41.5	37.5%	
	GDP (UK)	7.1%	2.7%	3.9%			
	GDP (DE)	2.5%	2.4%	2.4%			
	HPI (NL)	14.2%	5.2%	-1.2%			
	HPI (DE)	9.6%	6.6%	4.5%			
	Oil Price	73.5%	-20.2%	1.6%			

1 GDP is real 'Gross Domestic Product '
HPI is House Price Index

Sensitivity analysis ECL stages 1 and 2 Mortgage loans (drawn and undrawn, excluding management overlay)

Scenario	Macroeconomic variables	2021	2022	2023	Unweighted ECL stages 1 and 2	Probability weighing in %	Reported ECL stages 1 and 2
		% year-on-year change			in EUR million	%	in EUR million
Upside scenario	NL House Price Index (y-o-y change)	14.2%	8.1%	3.3%	0.4	30.0%	
	DE House Price Index (y-o-y change)	9.6%	10.3%	8.1%			
Baseline scenario	NL House Price Index (y-o-y change)	14.2%	6.3%	0.7%	0.5	32.5%	0.5
	DE House Price Index (y-o-y change)	9.6%	7.8%	6.0%			
Downside scenario	NL House Price Index (y-o-y change)	14.2%	5.2%	-1.2%	0.6	37.5%	
	DE House Price Index (y-o-y change)	9.6%	6.6%	4.5%			

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. NIBC reported EUR 40 million of ECL allowances and provisions for stage 1 or 2 positions at the end of 2021. 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 40 million and EUR 42 million, respectively.

NIBC measures stage 3 ECL on an individual facility level based upon a weighted average of three scenarios using a baseline, an upside and a downside scenario. The forecasted cash flows for each scenario are estimated by the *Restructuring & Distressed Assets* (**RDA**) department. Accordingly, the assumptions applied are based upon an assessment of individual facilities by our internal experts and no collective credit risk model is applied. The stage 3 ECL is sensitive to the application of these assumptions.

13 Tax

in EUR millions	2021	2020
Current tax	54	1
Deferred tax	(17)	-
	37	**1**

Further information on deferred tax is presented in note 30 Deferred tax. The actual tax charge on NIBC's profit before tax differs from the theoretical amount that would arise using the basic tax rate, as follows:

in EUR millions	2021	2020
Tax reconciliation:		
Profit before tax	**226**	**62**
Tax calculated at the nominal Dutch corporate tax rate of 25.0% (2020: 25.0%)	57	16
Impact of income not subject to tax	(20)	(3)
Effect of different tax rates other countries	(1)	1
Actualisation including true-ups and revaluations	0	(13)
	37	**1**

The impact of income not subject to tax mainly relates to income from equity investments and investments in associates and joint ventures, in which NIBC has a stake of more than 5%, being income that is tax exempt under Dutch tax law.

This results in an effective tax rate of 16.1% for the year ended 31 December 2021 (for the year ended 31 December 2020: 1.7%).

The expectation is that NIBC's tax loss carry forward can be fully utilised in the future.

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 Cash and balances with central banks

in EUR millions	2021	2020
Cash and balances with central banks can be categorised as follows		
Receivable on demand	1,624	1,747
Not receivable on demand	169	162
	1,793	**1,909**
Legal maturity analysis of cash and balances with central banks not receivable on demand		
Three months or less	-	-
Longer than three months but not longer than one year	-	8
Longer than one year but not longer than five years	-	-
Longer than five years	-	-
Assets with central banks due to mandatory reserve deposits	169	154
	169	**162**

Cash and balances with central banks included EUR 1,624 million on the current account balance held with Dutch Central Bank (2020: EUR 1,747 million).

Balances held with central banks are interest-bearing.

The fair value of this balance sheet item does not materially differ from its face value, due to the short-term nature of the underlying assets.

The total credit loss allowance for cash and balances with central banks is limited to stage 1, and amounts to nil (2020: nil).

15 Due from other banks

in EUR millions	2021	2020
Current accounts	599	526
Deposits with other banks	205	120
	804	**645**
Due from other banks can be categorised as follows		
Receivable on demand	595	526
Cash collateral placements posted under CSA agreements	209	120
	804	**645**

There were no subordinated loans included in due from other banks in 2021 and 2020.

The fair value of this balance sheet item does not materially differ from its face value, due to the short-term nature of the underlying assets.

The total credit loss allowance for due from other banks is limited to stage 1, and amounts to nil (2020: nil).

16 Debt investments (fair value through profit or loss, including trading)

in EUR millions	2021	2020
Debt investments (mandatory at fair value through profit or loss)	47	69
	47	**69**

The maximum exposure to credit risk for this financial asset amounts to EUR 47 million as per 31 December 2021 (2020: EUR 69 million).

The decline in debt investments (held-for-sale) from EUR 69 million to EUR 47 million is mainly due to redemption of positions, with an effect of EUR 19 million.

17 Equity investments (fair value through profit or loss, including investments in associates)

in EUR millions	2021	2020
Investments in associates	97	118
Other equity investments	124	93
	221	**212**

in EUR millions	2021	2020
Movement schedule of investments in associates		
Balance at 1 January	**118**	**128**
Additions	12	13
Disposals	(65)	(20)
Changes in fair value	31	(2)
Balance at 31 December	**97**	**118**
Movement schedule of other equity investments		
Balance at 1 January	**93**	**124**
Additions	12	3
Disposals	(35)	(38)
Changes in fair value	51	9
Other (including exchange rate differences)	3	(4)
Balance at 31 December	**124**	**93**

The disposals in equity investments in 2021 of EUR 35 million relate to the sale of direct investments and exits from fund investments.

At the end of 2021 and 2020, all investments in associates and other equity investments were unlisted. Other disclosure requirements for associates are presented in note 50 Principal subsidiaries and associates.

18 Loans (fair value through profit or loss)

in EUR millions	2021	2020
Corporate loans	131	130
Consumer loans	17	-
	148	**130**
Legal maturity analysis of corporate loans		
Three months or less	1	4
Longer than three months but not longer than one year	46	34
Longer than one year but not longer than five years	83	75
Longer than five years	-	17
	131	**130**
Movement schedule of corporate loans		
Balance at 1 January	**130**	**142**
Additions	48	58
Disposals	(75)	(60)
Changes in fair value	28	(11)
Other (including exchange rate differences)	(0)	-
Balance at 31 December	**131**	**130**

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

The cumulative change in fair value included in the balance sheet amount attributable to changes in interest rates and credit risk amounts to a loss of EUR 1 million (2020: loss of EUR 29 million).

The portion of fair value changes in 2021 included in the balance sheet amount as at 31 December 2021 relating to the movements in market interest rates and credit spreads amounts to nil (2020: nil).

The maximum exposure to credit risk without taking account of any collateral or other credit enhancement for this financial asset amounts to EUR 132 million as per 31 December 2021 (2020: EUR 161 million). This credit risk exposure is mitigated by the collateral held as security and other credit enhancements on these assets, for which the fair value amounts as per 31 December 2021 to EUR 135 million (2020: EUR 139 million).

The most significant types of collateral securing these corporate loans are tangible assets, such as real estate, vessels, rigs and equipment.

A Consumer Loans portfolio from financial services provider Finqus B.V. has been acquired and is valued on its recent acquisition price.

19 Derivative financial instruments (fair value through profit or loss)

in EUR millions	2021	2020
Derivative financial assets		
Derivative financial assets used for hedge accounting	2	4
Derivative financial assets - other	332	490
	334	**494**
Derivative financial liabilities		
Derivative financial liabilities used for hedge accounting	1	3
Derivative financial liabilities - other	153	97
	154	**100**

Derivative financial assets and liabilities used for hedge accounting are derivatives designated in hedge accounting relationships as defined in IAS 39. The derivative financial assets and liabilities in the category 'other' are classified as held for trading.

Derivative financial assets used for hedge accounting are products that are settled to market.

The derivatives consist of:
- Interest rate swaps to hedge the interest rate risk of the mortgage portfolio;
- Interest rate swaps to hedge to fair value interest rate risk of fixed rate funding;
- FX and cross-currency swaps to fund the non-euro loans to customers or to transform non-euro funding into euros;
- Client-driven derivative transactions;
- Money market trading.

Economically all these derivatives, with the exception of the money market trading and client-driving transactions, are used to hedge interest rate or FX risk. The money market trading is controlled by a relatively low *Value at Risk* (**VaR**) limit of EUR 2.25 million. For further details see note 53 Market risk.

Derivatives used for hedging are asigned in a hedge accounting relationship, which can be ineffective retrospectively. Sources of ineffectiveness are the behaviour of the curve shift, the volatility of the basis spread over the curve and the distribution of cash flows of assets and liabilities compared to the hedging derivatives.

Derivative financial instruments used for hedge accounting

Hedge accounting - fair value hedges

The following table provides information about the hedging instruments included in the derivative financial instruments line items of NIBC's consolidated statement of financial position.

	Carrying amount at 31 December 2021		Carrying amount at 31 December 2020	
in EUR millions	Assets	Liabilities	Assets	Liabilities
Micro fair value hedges				
Interest rate swaps	0	-	3	-
	0	**-**	**3**	**-**
Portfolio fair value hedges				
Interest rate swaps	2	1	1	3
	2	**1**	**1**	**3**

In the following tables NIBC sets out the accumulated fair value adjustments arising from the corresponding continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the years.

		Carrying amount of hedged items at 31 December 2021		Accumulated amount of fair value adjustments on the hedged items at 31 December 2021	
in EUR millions	Hedged items	Assets	Liabilities	Assets	Liabilities
Micro fair value hedges					
Micro fair value hedge of plain vanilla funding	Own debt securities in issue at AC	-	295	-	2
Micro fair value hedge of Liquidity portfolio debt investments	Debt investments at FVOCI	18	-	(0)	-
		18	**295**	**(0)**	**2**
Portfolio fair value hedges					
Portfolio fair value hedge of assets and liabilities	Deposits from customers and Mortgage loans	4,207	3,418	43	34
		4,207	**3,418**	**43**	**34**
		4,225	**3,713**	**43**	**36**

in EUR millions	Hedged items	Carrying amount of hedged items at 31 December 2020		Accumulated amount of fair value adjustments on the hedged items at 31 December 2020	
		Assets	Liabilities	Assets	Liabilities
Micro fair value hedges					
Micro fair value hedge of plain vanilla funding	Own debt securities in issue at AC	-	302	-	11
Micro fair value hedge of Liquidity portfolio debt investments	Debt investments at FVOCI	41	-	-	-
		41	**302**	**-**	**11**
Portfolio fair value hedges					
Portfolio fair value hedge of assets and liabilities	Deposits from customers and Mortgage loans	3,507	2,910	255	35
		3,507	**2,910**	**255**	**35**
		3,548	**3,212**	**255**	**46**

The following tables set out the changes in the fair value of the hedged items and hedging instruments in the current year, used as the basis for recognising ineffectiveness.

in EUR millions	Gains/(losses) attributable to the hedged risk at 31 December 2021		Hedge ineffective-ness at 31 December 2021	Gains/(losses) attributable to the hedged risk at 31 December 2020		Hedge ineffective-ness at 31 December 2020
Hedged items (hedge instruments)	Hedged items	Hedging instruments		Hedged items	Hedging instruments	
Micro fair value hedge relationships hedging assets						
Micro fair value hedge of the Liquidity portfolio debt investments (interest rate swaps)	(0)	1	1	-	-	-
	(0)	**1**	**1**	**-**	**-**	**-**
Micro fair value hedge relationships hedging liabilities						
Micro fair value hedge of plain vanilla funding (interest rate swaps)	10	(10)	(0)	(4)	4	-
	10	**(10)**	**(0)**	**(4)**	**4**	**-**
Total micro fair value hedge	**10**	**(9)**	**1**	**(4)**	**4**	**-**

in EUR millions	Gains/(losses) attributable to the hedged risk at 31 December 2021		Hedge ineffective-ness at	Gains/(losses) attributable to the hedged risk at 31 December 2020		Hedge ineffective-ness at
Hedged items (hedge instruments)	Hedged items	Hedging instruments	31 December 2021	Hedged items	Hedging instruments	31 December 2020
Portfolio fair value hedges hedging assets						
Portfolio fair value hedge of assets (interest rate swaps)	(139)	152	13	90	(77)	13
	(139)	**152**	**13**	**90**	**(77)**	**13**
Portfolio fair value hedges hedging liabilities						
Portfolio fair value hedge of liabilities (interest rate swaps)	68	(58)	10	(25)	25	-
	68	**(58)**	**10**	**(25)**	**25**	**-**
Total portfolio fair value hedge	**(71)**	**94**	**23**	**65**	**(52)**	**13**

Hedge accounting - cash flow hedges

The following tables set out the outcome of NIBC's hedging strategy, in particular, the notional and the carrying amounts of the derivatives NIBC uses as hedging instruments and their changes in fair values used for measuring hedge ineffectiveness separately showing the effective and ineffective portions.

Hedge accounting - cash flow hedges at 31 December 2021

			Changes in fair value of hedging instruments used for measuring hedge ineffectiveness				
	Carrying value		Effective portion	Hedge ineffectiveness	In total	Reclassified into income statement as	
in EUR millions	Assets	Liabilities	Recognised in OCI	Recognised in the income statement in gains or (losses) from assets and liabilities at FVtPL		Other interest gains or (losses)	Gains or (losses) from assets and liabilities at FVtPL
Cash flow hedges							
Interest rate swaps	-	-	(2)	(2)	(4)	3	2
	-	**-**	**(2)**	**(2)**	**(4)**	**3**	**2**

The underlying hedged items of the cash flow hedges are the floating rate coupons of the Corporate Loan portfolio.

Hedge accounting - cash flow hedges at 31 December 2020

in EUR millions	Carrying value: Assets	Carrying value: Liabilities	Changes in fair value of hedging instruments used for measuring hedge ineffectiveness: Effective portion – Recognised in OCI	Hedge ineffectiveness – Recognised in the income statement in gains or (losses) from assets and liabilities at FVtPL	In total	Reclassified into income statement as: Other interest gains or (losses)	Reclassified into income statement as: Gains or (losses) from assets and liabilities at FVtPL
Cash flow hedges							
Interest rate swaps	-	-	2	(2)	-	-	1
	-	**-**	**2**	**(2)**	**-**	**-**	**1**

in EUR millions	Change in fair value of hedged item in the year 2021 used for ineffectiveness measurement	Cash flow hedge reserve at 31 December 2021: Continuing hedges	Cash flow hedge reserve at 31 December 2021: Discontinued hedges	Change in fair value of hedged item in the year 2020 used for ineffectiveness measurement	Cash flow hedge reserve at 31 December 2020: Continuing hedges	Cash flow hedge reserve at 31 December 2020: Discontinued hedges
Cash flow hedges						
Floating rate notes	2	(7)	(5)	(2)	(10)	(7)
	2	**(7)**	**(5)**	**(2)**	**(10)**	**(7)**

Hedge accounting impact on equity

in EUR millions	2021	2020
Opening balance cash flow hedging reserve as at 1 January	**(17)**	**(21)**
Cash flow hedges		
Effective portion of changes in fair value arising from:		
Interest rate swaps	2	(2)
Net amount reclassified to profit or loss into		
Other interest expense/income	3	5
Gains or (losses) from assets and liabilities at FVtPL	2	1
Other	(1)	-
Closing balance cash flow hedging reserve as at 31 December	**(11)**	**(17)**

At 31 December 2021 the cash flow hedge reserve consists of an amount of EUR 7 million (2020: EUR 10 million) relating to continuing hedges and an amount of EUR 5 million (2020: EUR 7 million) to hedging relationships for which hedge accounting is no longer applied.

Derivative financial instruments used for hedge accounting at 31 December 2021

in EUR millions	Notional amount with remaining life of Less than three months	Between three months and one year	Between one and five years	More than five years	Total	Carrying value Assets	Liabilities
Derivatives accounted for as fair value hedges of interest rate risk							
OTC products							
Average fixed rate	0.00%	0.00%	0.07%	0.43%	0.21%		
Interest rate swaps	595	-	4,751	3,724	9,070	2	1
	595	**-**	**4,751**	**3,724**	**9,070**	**2**	**1**
Derivatives accounted for as cash flow hedges of interest rate risk							
OTC products							
Average fixed rate	0.00%	0.00%	2.14%	0.00%	1.07%		
Interest rate swaps	95	-	95	-	190	-	-
	95	**-**	**95**	**-**	**190**	**-**	**-**
Total derivatives used for hedge accounting	**690**	**-**	**4,846**	**3,724**	**9,260**	**2**	**1**

Derivative financial instruments used for hedge accounting at 31 December 2020

in EUR millions	Notional amount with remaining life of Less than three months	Between three months and one year	Between one and five years	More than five years	Total	Carrying value Assets	Liabilities
Derivatives accounted for as fair value hedges of interest rate risk							
OTC products							
Average fixed rate	0.00%	0.29%	0.39%	0.42%	0.39%		
Interest rate swaps	265	587	1,335	4,185	6,372	1	3
Interest currency rate swaps	-	-	17	-	17	3	-
	265	**587**	**1,352**	**4,185**	**6,388**	**4**	**3**
Derivatives accounted for as cash flow hedges of interest rate risk							
OTC products							
Average fixed rate	0.00%	0.00%	2.52%	2.00%	2.15%		
Interest rate swaps	-	33	22	56	111	-	-
	-	**33**	**22**	**56**	**111**	**-**	**-**
Total derivatives used for hedge accounting	**265**	**620**	**1,374**	**4,240**	**6,500**	**4**	**3**

Derivative financial instruments - other at 31 December 2021

	Notional amount with remaining life of					Carrying value	
in EUR millions	Less than three months	Between three months and one year	Between one and five years	More than five years	Total	Assets	Liabilities
Interest rate derivatives							
OTC products							
Interest rate swaps	2,715	6,580	4,553	5,194	19,042	275	49
Interest rate options (purchase)	-	191	434	15	640	2	-
Interest rate options (sale)	-	136	424	5	565	-	2
	2,715	**6,907**	**5,411**	**5,214**	**20,246**	**277**	**51**
Currency derivatives							
OTC products							
Interest currency rate swaps	270	460	794	-	1,524	13	55
Currency/cross-currency swaps	125	-	-	-	125	0	1
	395	**460**	**794**	**-**	**1,649**	**14**	**57**
Other derivatives (including credit derivatives)							
OTC products							
Credit default swaps (guarantees received)	-	-	-	4	4	-	0
Other swaps	-	-	-	14	14	41	44
	-	**-**	**-**	**18**	**18**	**41**	**45**
Total derivatives - other	**3,109**	**7,367**	**6,204**	**5,232**	**21,913**	**332**	**153**

Derivative financial instruments - other at 31 December 2020

in EUR millions	Notional amount with remaining life of: Less than three months	Between three months and one year	Between one and five years	More than five years	Total	Carrying value: Assets	Liabilities
Interest rate derivatives							
OTC products							
Interest rate swaps	142	1,884	2,779	13,143	17,949	402	54
Interest rate options (purchase)	7	-	193	493	692	2	-
Interest rate options (sale)	-	90	153	450	693	-	1
	148	**1,974**	**3,125**	**14,086**	**19,334**	**404**	**56**
Currency derivatives							
OTC products							
Interest currency rate swaps	-	20	460	1,380	1,860	57	4
Currency/cross-currency swaps	154	-	-	-	154	1	5
	154	**20**	**460**	**1,380**	**2,014**	**58**	**9**
Other derivatives (including credit derivatives)							
OTC products							
Credit default swaps (guarantees received)	-	-	-	4	4	-	1
Other swaps	-	0	6	7	14	28	31
	-	**0**	**6**	**11**	**18**	**28**	**32**
Total derivatives - other	**302**	**1,994**	**3,591**	**15,477**	**21,366**	**490**	**97**

The average remaining maturity (in which the related cash flows are expected to enter into the determination of profit or loss) is six years (2020: six years).

Fair value hedges of interest rate risk

The following table discloses the fair value of the swaps designated in fair value hedging relationships:

in EUR millions	2021	2020
Fair value pay - fixed swaps (hedging assets) | assets	1	-
Fair value pay - fixed swaps (hedging assets) | liabilities	(1)	(3)
	(0)	**(3)**
Fair value pay - floating swaps (hedging liabilities) | assets	1	4
Fair value pay - floating swaps (hedging liabilities) | liabilities	(0)	-
	1	**4**

Portfolio fair value hedge accounting of assets and liabilities

According to NIBC's Hedging Policy, NIBC should not be exposed to interest rate risk from its fixed rate asset and liability activities such as mortgages, loans, funding and retail deposits above certain limits established by the ALCO. Consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk arising on these primarily fixed rate mortgages, loans and retail deposits. To mitigate any accounting mismatches, NIBC has defined a portfolio fair value hedge for the assets and liabilities with a contractual duration longer than three months and the corresponding hedging transactions.

The hedged risk is the benchmark interest rate (RFRs up to one year and swap rates for periods longer than one year) for the currency in question.

The net fair value of the derivative financial instruments designated as hedging instruments in these relationships at 31 December 2021 was EUR 1 million debit (2020: EUR 2 million credit). The gains on the hedging instruments were EUR 94 million (2020: loss of EUR 52 million). The losses on the hedged items attributable to the hedged risk were EUR 71 million (2020: gain of EUR 65 million). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness and pipeline hedging. The pipeline consists of mortgage loans offered to customers but not yet have been accepted.

Micro fair value hedge accounting of plain vanilla funding

According to NIBC's hedging policy, NIBC should not be exposed to interest rate and FX risk from its fixed rate plain vanilla funding activities above certain limits established by ALCO. Consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk on this fixed rate funding. To mitigate any accounting mismatches, NIBC has defined a micro fair value hedge for fixed rate plain vanilla funding and corresponding hedging transactions.

The hedged risk is the benchmark interest rate (RFRs up to one year and swap rates for periods longer than one year) for the currency in question.

The net fair value of the derivative financial instruments designated as hedging instruments in these relationships at 31 December 2021 is close to nil (2020: EUR 3 million debit). The losses on the hedging instruments were EUR 10 million (2020: gain of EUR 4 million). The gains on the hedged items attributable to the hedged risk were EUR 10 million (2020: loss of EUR 4 million). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

Micro fair value hedge accounting of the Liquidity portfolio debt investments

According to NIBC's hedging policy, NIBC should not be exposed to fair value interest rate risk from its fixed rate debt investments held in the Liquidity portfolios above certain limits established by ALCO. Consequently, NIBC uses interest rate swaps to hedge the fair value interest rate risk arising on this fixed rate debt investments. To mitigate any accounting mismatches, NIBC has defined a micro fair value hedge for fixed rate debt investments and corresponding hedging transactions.

The hedged risk is the benchmark interest rate (RFRs up to one year and swap rates for periods longer than one year) for the currency in question.

The net fair value of the derivative financial instruments designated as hedging instruments in these relationships at 31 December 2021 is nil (2020: nil). The gains on the hedging instruments were EUR 1 million (2020: nil). The losses on the hedged items attributable to the hedged risk were close to nil (2020: nil). Differences between the results recognised on the hedging instruments and hedged items can be explained by hedge ineffectiveness.

Cash flow hedges

NIBC has classified a large part of its corporate loans as loans and receivables at AC. Therefore, variability in the cash flows of the floating rate corporate loans is accounted for in future periods, when the coupons are recorded in the income statement on an AC basis. Interest rate swaps are used to hedge the floating cash flows of its floating corporate loans (in GBP). These swaps are reported at FVtPL. This accounting mismatch creates volatility in the income statement of NIBC.

Therefore NIBC applies hedge accounting on these positions. Hedge accounting is applied to all swaps that are used to hedge the cash flow risk of the floating corporate loans by defining a macro cash flow hedge relationship with the floating corporate loans.

The variability in interest cash flows arising on floating rate corporate loans is hedged on a portfolio basis with interest rate swaps that receive fixed and pay floating (generally one, three and six months floating rates). The highly probable cash flows being hedged relate both to the highly probable cash flows on outstanding corporate loans and to the future reinvestment of these cash flows. NIBC does not hedge the variability of future cash flows of corporate loans arising from changes in credit spreads.

Interest rate swaps with a net fair value of nil (2020: nil) were designated in a cash flow hedge relationship. The cash flow on the hedged item will be reported in income over the next four years. In 2021 the ineffectiveness recognised in the income statement that arose from cash flow hedges was a loss of EUR 2 million (2020: loss of EUR 2 million).

Some macro cash flow hedging relationships ceased to exist during 2021 and therefore the related cumulative hedge adjustment as from that date is being amortised over the remaining contractual maturity of the hedged item.

The amount that was recognised in equity for the year 2021 was EUR 2 million debit (2020: EUR 2 million credit). The amount that was transferred from equity to the income statement in 2021 was a gain of EUR 4 million net of tax (2020: loss of EUR 4 million).

20 Debt investments (fair value through other comprehensive income)

in EUR millions	2021	2020
Listed	852	886
Unlisted	-	-
	852	**886**
Legal maturity analysis of debt investments		
Three months or less	21	80
Longer than three months but not longer than one year	88	56
Longer than one year but not longer than five years	671	695
Longer than five years	73	55
	852	**886**

At 31 December 2021 EUR 22 million of debt investments consists of government bonds (2020: EUR 64 million).

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 have been written off and are still subject to enforcement activity for 2021 and 2020.

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. Details of NIBC's internal grading system are explained in the Risk Management Paragraph.

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2021
Internal rating grade				
Investment	850	-	-	850
Sub-investment	-	3	-	3
	850	**3**	**-**	**852**

	Stage 1	Stage 2	Stage 3	
in EUR millions	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total 2021
Movement schedule of carrying value debt investments				
Balance at 1 January	**883**	**3**	**-**	**886**
New financial assets originated or purchased	268	-	-	268
Financial assets that have been derecognised	(302)	(0)	-	(303)
Changes in fair value	(2)	-	-	(2)
Foreign exchange and other movements	3	-	-	3
Balance at 31 December	**850**	**3**	**-**	**852**

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2020
Internal rating grade				
Investment	883	-	-	883
Sub-investment	-	3	-	3
	883	**3**	**-**	**886**

	Stage 1	Stage 2	Stage 3	
in EUR millions	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total 2020
Movement schedule of carrying value debt investments				
Balance at 1 January	**951**	**3**	**-**	**954**
New financial assets originated or purchased	330	-	-	330
Financial assets that have been derecognised	(395)	-	-	(395)
Foreign exchange and other movements	(3)	-	-	(3)
Balance at 31 December	**883**	**3**	**-**	**886**

21 Debt investments (amortised cost)

in EUR millions	2021	2020
Listed	25	22
Unlisted	-	-
	25	**22**
Legal maturity analysis of debt investments		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	10
Longer than five years	25	13
	25	**22**

There are no contractual amounts outstanding on debt investments that were written off and are still subject to enforcement activity for 2021 and 2020.

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. Details of NIBC's internal grading system are explained in the Risk Management paragraph.

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2021
Internal rating grade				
Investment	25	-	-	25
	25	**-**	**-**	**25**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2021
Movement schedule of carrying value debt investments				
Balance at 1 January	**22**	**-**	**-**	**22**
New financial assets originated or purchased	12	-	-	12
Financial assets that have been derecognised	(10)	-	-	(10)
Balance at 31 December	**25**	**-**	**-**	**25**

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2020
Internal rating grade				
Investment	22	-	-	22
	22	**-**	**-**	**22**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2020
Movement schedule of carrying value debt investments				
Balance at 1 January	**10**	**-**	**-**	**10**
New financial assets originated or purchased	13	-	-	13
Foreign exchange and other movements	(1)	-	-	(1)
Balance at 31 December	**22**	**-**	**-**	**22**

The maximum credit risk exposure including undrawn credit facilities arising on debt investments at AC amounted to EUR 25 million (2020: EUR 22 million).

22 Loans (amortised cost)

in EUR millions	2021	2020
Corporate loans	5,456	5,639
Loans with group companies	926	670
	6,381	**6,309**
Legal maturity analysis of corporate loans and loans with group companies		
Three months or less	865	476
Longer than three months but not longer than one year	564	897
Longer than one year but not longer than five years	3,895	3,892
Longer than five years	1,058	1,044
	6,381	**6,309**

The legal maturity analysis is based upon the earliest contractual cash flows which best represents the short and long term nature of the cash flows. The expected prepayments within the coming 12 months varies in the range between 6% and 30% of the outstanding corporate exposure.

The decrease in corporate loans at AC reflects NIBC's effort to rebalance the portfolio, in which reduction of exposure in specific sub portfolios has been realised. Furthermore growth in targeted product market combinations has not been realised mainly due to the COVID-19 pandemic.

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. Details of NIBC's internal grading system are explained in the Risk Management Paragraph.

in EUR millions	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total 2021
Internal rating grade of corporate loans and loans with group companies					
Investment	1,354	-	-	-	1,354
Sub-investment	3,690	521	-	8	4,219
Default	-	-	157	34	191
Default grade (bankruptcy filing)	-	-	6	-	6
Unrated	600	10	-	-	611
	5,645	**531**	**163**	**43**	**6,381**

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 2021
Movement schedule of carrying value corporate loans and loans with group companies					
Balance at 1 January	**5,461**	**679**	**104**	**66**	**6,309**
New financial assets originated or purchased	1,968	18	2	10	1,999
Financial assets that have been derecognised	(1,747)	(240)	(77)	(28)	(2,092)
Write-offs and restructurings	-	0	25	(2)	23
Net remeasurement of loss allowance	3	(1)	(25)	(2)	(24)
Foreign exchange and other movements	150	18	0	(2)	166
Transfers:					
Transfer from stage 1 to stage 2	(293)	291	-	-	(2)
Transfer from stage 2 to stage 1	102	(100)	-	-	1
Transfer from stage 2 to stage 3	-	(134)	134	-	-
Balance at 31 December	**5,645**	**531**	**163**	**43**	**6,381**

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 2021
Movement schedule of credit loss allowances on corporate loans and loans with group companies					
Balance at 1 January	**17**	**27**	**72**	**43**	**158**
Movements with no impact on credit loss allowances of financial assets in the income statement					
Transfers:					
Transfer from stage 2 to stage 3	-	(2)	2	-	-
Write-offs and restructurings	-	(0)	(25)	2	(23)
Unwind of discount due to passage of time stage 3 and POCI within interest income	-	-	(4)	(1)	(5)
Foreign exchange and other movements	0	1	6	4	11
Movements with no impact on credit loss allowances of financial assets in the income statement	**0**	**(2)**	**(20)**	**4**	**(17)**
Movements with impact on credit loss allowances of financial assets in the income statement					
New financial assets originated or purchased	5	0	0	0	5
Financial assets that have been derecognised	(4)	(2)	-	-	(5)
Net remeasurement of loss allowance	(3)	1	25	2	24
Unwind of discount due to passage of time stage 3 and POCI	-	-	4	1	5
Transfers:					
Transfer from stage 1 to stage 2	(2)	4	-	-	2
Transfer from stage 2 to stage 1	1	(2)	-	-	(1)
Movements with impact on credit loss allowances of financial assets in the income statement	**(3)**	**1**	**28**	**3**	**30**
Balance at 31 December	**14**	**26**	**80**	**50**	**170**

The credit loss allowance on loans in 2021 includes EUR 5 million of additional allowances, following the management overlay applied per 31 December 2021. This additional allowance is included in stage 1 (EUR 1 million) and stage 2 (EUR 4 million). See note 12 Impairments of financial and non-financial assets for more information on the management overlay.

in EUR millions	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total 2020
Internal rating grade of corporate loans and loans with group companies					
Investment	1,518	-	-	-	1,518
Sub-investment	3,611	646	-	13	4,270
Default	-	-	104	53	156
Unrated	332	33	-	-	365
	5,461	**679**	**104**	**66**	**6,309**

	Stage 1	Stage 2	Stage 3		
in EUR millions	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total 2020
Movement schedule of carrying value corporate and loans with group companies					
Balance at 1 January	**6,755**	**684**	**137**	**60**	**7,636**
New financial assets originated or purchased	1,406	46	6	40	1,498
Financial assets that have been derecognised	(2,181)	(236)	(193)	(43)	(2,652)
Write-offs and restructurings	-	-	106	3	109
Net remeasurement of loss allowance	3	(7)	(91)	10	(85)
Changes in models/risk parameters	(10)	(10)	-	-	(20)
Foreign exchange and other movements	(149)	(19)	(3)	(5)	(176)
Transfers:					
Transfer from stage 1 to stage 2	(467)	465	-	-	(2)
Transfer from stage 1 to stage 3	-	-	(1)	-	(1)
Transfer from stage 2 to stage 1	79	(77)	-	-	2
Transfer from stage 2 to stage 3	-	(175)	175	-	-
Transfer from stage 3 to stage 1	26	-	(26)	-	-
Transfer from stage 3 to stage 2	-	7	(7)	-	-
Balance at 31 December	**5,461**	**679**	**104**	**66**	**6,309**

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 2020
Movement schedule of credit loss allowances on corporate loans and loans with group companies					
Balance at 1 January	**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	-	(4)	4	-	-
New financial assets originated or purchased	-	-	-	16	16
Write-offs and restructurings	-	-	(109)	(16)	(125)
Unwind of discount due to passage of time stage 3 and POCI within interest income	-	-	(1)	-	(1)
Foreign exchange and other movements	-	-	(5)	2	(4)
Movements with no impact on credit loss allowances of financial assets in the income statement	**-**	**(4)**	**(112)**	**2**	**(114)**
Movements with impact on credit loss allowances of financial assets in the income statement					
New financial assets originated or purchased	3	1	-	-	4
Financial assets that have been derecognised	(3)	(2)	-	-	(4)
Net remeasurement of loss allowance	(3)	7	94	-	99
Changes in model assumption and methodologies	10	10	-	-	20
Unwind of discount due to passage of time stage 3 and POCI	-	-	1	-	1
Transfers:					
Transfer from stage 1 to stage 2	(2)	4	-	-	2
Transfer from stage 1 to stage 3	-	-	1	-	1
Transfer from stage 2 to stage 1	2	(4)	-	-	(2)
Movements with impact on credit loss allowances of financial assets in the income statement	**8**	**16**	**96**	**-**	**120**
Balance at 31 December	**17**	**27**	**72**	**43**	**158**

There are no contractual amounts outstanding on loans that were written off and are still subject to enforcement activity for 2021 and 2020.

The maximum credit risk exposure including undrawn corporate credit facilities arising on loans at AC amounts to EUR 7,506 million per 31 December 2021 (2020: EUR 7,572 million).

The total amount of corporate subordinated loans in this item equals to EUR 84 million in 2021 (2020: EUR 102 million).

As per 31 December 2021, EUR 30 million of corporate loan exposure (2020: EUR 14 million) is guaranteed by the Dutch State.

23 Lease receivables (amortised cost)

in EUR millions	2021	2020
Legal maturity analysis of gross investment in lease receivables		
Three months or less	8	16
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	-	-
	8	**16**
Unearned future finance income on finance leases	-	-
Net investment in finance leases	**8**	**16**
Legal maturity analysis of net investment in lease receivables		
Three months or less	8	16
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	-	-
Longer than five years	-	-
	8	**16**

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. Details of NIBC's internal rating system are explained in the Risk Management Paragraph.

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2021
Internal rating grade of lease receivables				
Unrated	-	-	8	8
	-	**-**	**8**	**8**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2021
Movement schedule of carrying value on lease receivables				
Balance at 1 January	**-**	**-**	**16**	**16**
Net remeasurement of loss allowance	-	-	(8)	(8)
Balance at 31 December	**-**	**-**	**8**	**8**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2021
Movement schedule of credit loss allowances on lease receivables				
Balance at 1 January	**-**	**-**	**14**	**14**
Movements with impact on credit loss allowances of financial assets in the income statement				
Net remeasurement of loss allowance	-	-	8	8
Movements with impact on credit loss allowances of financial assets in the income statement	**-**	**-**	**8**	**8**
Balance at 31 December	**-**	**-**	**22**	**22**

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2020
Internal rating grade of lease receivables				
Unrated	-	-	16	16
	-	**-**	**16**	**16**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2020
Movement schedule of carrying value on lease receivables				
Balance at 1 January	**4**	**-**	**21**	**25**
Financial assets that have been derecognised	(4)	-	(8)	(12)
Net remeasurement of loss allowance	-	-	4	4
Balance at 31 December	**-**	**-**	**16**	**16**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2020
Movement schedule of credit loss allowances on lease receivables				
Balance at 1 January	**-**	**-**	**10**	**10**
Movements with impact on credit loss allowances of financial assets in the income statement				
Net remeasurement of loss allowance	-	-	4	4
Movements with impact on credit loss allowances of financial assets in the income statement	**-**	**-**	**4**	**4**
Balance at 31 December	**-**	**-**	**14**	**14**

24 Mortgage loans (amortised cost)

in EUR millions	2021	2020
Owner occupied mortgage loans	10,559	9,041
Buy-to-Let mortgage loans	1,100	861
	11,659	**9,902**
Legal maturity analysis of mortgage loans		
Three months or less	7	10
Longer than three months but not longer than one year	30	18
Longer than one year but not longer than five years	170	150
Longer than five years	11,451	9,724
	11,659	**9,902**

On 17 November 2021 NIBC acquired a mortgage loan portfolio from financial services provider Finqus B.V. for an amount of EUR 1.4 billion.

NIBC believes that the legal maturity analysis based upon the earliest contractual cash flows best represents the term nature of the cash flows. The contractual maturity may be extended over a longer period. The expected prepayments within the coming 12 months vary in the range between 7% and 15% of the outstanding exposure.

The following table shows the credit quality and the maximum exposure to credit risk based on NIBC's use of PD and year-end stage classification. Details of NIBC's use of PD are explained in the Risk Management Paragraph.

in EUR millions	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total 2021
Probability of default					
<= 1%	11,337	60	1	19	11,417
1%> <=2%	48	2	-	1	51
2%> <=5%	10	13	-	-	24
5%> <100%	20	42	0	6	69
100%	-	5	67	27	99
	11,415	**123**	**68**	**52**	**11,659**

	Stage 1	Stage 2	Stage 3		
in EUR millions	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit-impaired	Total 2021
Movement schedule of carrying value mortgage loans					
Balance at 1 January	**9,707**	**190**	**5**	**-**	**9,902**
New financial assets originated or purchased (including transfers from consolidated SPEs)	3,622	-	1	51	3,675
Financial assets that have been derecognised (sale and/or redemption)	(1,881)	(40)	0	0	(1,921)
Net remeasurement of loss allowance	0	1	(1)	(0)	1
Changes in models/risk parameters	1	0	0	1	3
Transfers:					-
Transfer from stage 1 to stage 2	(104)	104	-	-	(0)
Transfer from stage 1 to stage 3	(37)	-	36	-	(0)
Transfer from stage 2 to stage 1	106	(106)	-	-	-
Transfer from stage 2 to stage 3	-	(26)	26	-	-
Transfer from stage 3 to stage 1	(0)	-	0	-	-
Transfer from stage 3 to stage 2	-	0	(0)	-	-
Balance at 31 December	**11,415**	**123**	**68**	**52**	**11,659**

ECL impact and carrying value stage transfers due to implementation of the new definition of default.

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 2021
Movement schedule of credit loss allowances on mortgage loans					
Balance at 1 January	**2**	**8**	**1**	**-**	**11**
Movements with no impact on credit loss allowances of financial assets in the income statement					
Transfers:					
Transfer from stage 2 to stage 3	-	(0)	0	-	-
Transfer from stage 3 to stage 1	0	-	(0)	-	-
Transfer from stage 3 to stage 2	-	0	(0)	-	-
Movements with no impact on credit loss allowances of financial assets in the income statement	**0**	**0**	**(1)**		**-**
Movements with impact on credit loss allowances of financial assets in the income statement					
New financial assets originated or purchased	2	-	-	2	3
Financial assets that have been derecognised	(1)	(0)	(0)	(0)	(2)
Net remeasurement of loss allowance	(0)	(1)	1	0	(1)
Changes in model assumption and methodologies	(1)	(0)	(0)	(1)	(3)
Movements with impact on credit loss allowances of financial assets in the income statement	**(1)**	**(2)**	**0**	**0**	**(2)**
Balance at 31 December	**2**	**7**	**1**	**0**	**9**

The credit loss allowance on loans in 2021 includes EUR 8 million of additional allowances, following the management overlay applied per 31 December 2021. This management overlay comprises an additional provision on stage 1 (EUR 1 million) and stage 2 (EUR 7 million). See note 12 Impairments of financial and non-financial assets for more information on the management overlay.

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2020
Probability of default				
<= 1%	9,652	88	1	9,741
1%> <=2%	31	3	-	33
2%> <=5%	11	12	-	22
5%> <100%	14	62	-	76
100%	-	26	4	30
	9,707	**190**	**5**	**9,902**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2020
Movement schedule of carrying value mortgage loans				
Balance at 1 January	**9,509**	**118**	**10**	**9,637**
New financial assets originated or purchased (including transfers from consolidated SPEs)	1,547	-	-	1,547
Financial assets that have been derecognised (sale and/or redemption)	(1,249)	(20)	(4)	(1,273)
Net remeasurement of loss allowance	(1)	(8)	(1)	(10)
Changes in models/risk parameters	1	-	-	-
Transfers:				
Transfer from stage 1 to stage 2	(133)	133	-	-
Transfer from stage 1 to stage 3	(2)	-	2	-
Transfer from stage 2 to stage 1	35	(35)	-	-
Transfer from stage 2 to stage 3	-	(1)	1	-
Transfer from stage 3 to stage 1	1	-	(1)	-
Transfer from stage 3 to stage 2	-	2	(2)	-
Balance at 31 December	**9,707**	**190**	**5**	**9,902**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2020
Movement schedule of credit loss allowances on mortgage loans				
Balance at 1 January	**1**	**-**	**2**	**3**
Movements with no impact on credit loss allowances of financial assets in the income statement				
Transfers:				
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)**	**-**
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	(1)	-	(1)	(2)
Net remeasurement of loss allowance	1	8	1	10
Changes in model assumption and methodologies	(1)	-	-	(1)
Transfers:				
Transfer from stage 2 to stage 1	1	(1)	-	-
Movements with impact on credit loss allowances of financial assets in the income statement	**1**	**7**	**-**	**8**
Balance at 31 December	**2**	**8**	**1**	**11**

Relating to committed facilities with respect to mortgage loans no release has been recognised in 2021 (2020: a release of EUR 1 million).

The contractual amount outstanding on mortgage loans that were written off and are still subject to enforcement activity amounts to EUR 45 million (2020: EUR 40 million).

The maximum credit exposure including committed but undrawn facilities was EUR 12,377 million at 31 December 2021 (31 December 2020: EUR 10,388 million).

25 Securitised mortgage loans (amortised cost)

in EUR millions	2021	2020
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	1
Longer than five years	280	342
	281	**343**

The following table shows the credit quality and the maximum exposure to credit risk based on NIBC's use of probability of default and year-end stage classification.

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2021
Probability of default				
<= 1%	278	2	-	281
1%> <=2%	-	0	-	0
2%> <=5%	0	0	-	0
5%> <100%	-	-	-	-
100%	-	-	0	0
	278	**3**	**0**	**281**

	Stage 1	Stage 2	Stage 3	
in EUR millions	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total 2021
Movement schedule of carrying value securitised mortgage loans				
Balance at 1 January	**339**	**4**	**-**	**343**
Financial assets that have been derecognised (sale and/or redemption)	(59)	(2)	-	(62)
Transfers:				
Transfer from stage 1 to stage 2	(4)	4	-	-
Transfer from stage 1 to stage 3	(0)	-	0	-
Transfer from stage 2 to stage 1	2	(2)	-	-
Balance at 31 December	**278**	**3**	**0**	**281**

in EUR millions	Stage 1	Stage 2	Stage 3	Total 2020
Probability of default				
<= 1%	338	2	-	340
1%> <=2%	-	-	-	-
2%> <=5%	1	-	-	1
5%> <100%	-	1	-	2
100%	-	-	-	-
	339	**4**	**-**	**343**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total 2020
Movement schedule of carrying value securitised mortgage loans				
Balance at 1 January	**406**	**1**	**-**	**407**
Financial assets that have been derecognised (sale and/or redemption)	(64)	-	-	(64)
Transfers:				
Transfer from stage 1 to stage 2	(3)	3	-	-
Balance at 31 December	**339**	**4**	**-**	**343**

In 2021 and 2020 no ECL was recognised.

26 Investment property

in EUR millions	2021	2020
Movement schedule of investment property		
Balance at 1 January	**21**	**23**
Reclassification from property and equipment	1	-
Additions	1	1
Changes in fair value	1	(3)
Balance at 31 December	**23**	**21**

Land and buildings were revalued as of 31 December 2021 based on an independent external appraisal. Land and buildings with the available for rental status increased in value, leading to a gain of EUR 1 million in 2021. 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 1 million in 2021 (2020: EUR 1 million).

27 Investments in associates and joint ventures (equity method)

in EUR millions	2021	2020
Investments in associates	13	12
Investments in joint ventures	3	3
	16	**15**
Movement schedule of investments in associates		
Balance at 1 January	**12**	**16**
Purchases and additional payments	-	1
Disposals	-	(8)
Share in result	2	2
Balance at 31 December	**13**	**12**
Movement schedule of joint ventures		
Balance at 1 January	**3**	**5**
Share in result	(0)	(2)
Balance at 31 December	**3**	**3**

At the end of 2021 and 2020, all investments in associates and joint ventures were unlisted.

The cumulative impairment losses amount to nil for 2021 and 2020.

Other disclosure requirements for associates and joint ventures which are equity accounted are included in note 50 Principal subsidiaries and associates.

28 Property and equipment

in EUR millions	2021	2020
Land and buildings	26	27
Other fixed assets	2	2
Right-of-use assets	3	5
	31	**33**

in EUR millions	2021	2020
Movement schedule of land and buildings		
Balance at 1 January	**27**	**30**
Additions	0	-
Revaluation	3	(1)
Depreciation	(2)	(2)
Reclass to investment property	(1)	-
Impairments	-	(1)
Balance at 31 December	**26**	**27**
Gross carrying amount	95	94
Accumulated depreciation	(69)	(67)
	26	**27**
Movement schedule of revaluation surplus		
Balance at 1 January	**17**	**17**
Revaluation	3	(1)
Depreciation	(1)	-
Balance at 31 December	**19**	**17**
Movement schedule of other fixed assets		
Balance at 1 January	**2**	**3**
Additions	1	-
Depreciation	(1)	(1)
Balance at 31 December	**2**	**2**
Gross carrying amount	29	29
Accumulated depreciation	(28)	(27)
	2	**2**

in EUR millions	2021	2020
Right-of-use assets[1]		
Rented offices	3	5
	3	**5**
Movement schedule of right-of-use asset: offices		
Balance at 1 January	**5**	**6**
Depreciation	(2)	(1)
Foreign exchange and other movements	0	-
Balance at 31 December	**3**	**5**

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

Land and buildings were revalued as of 31 December 2021 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 2 million net of tax is debited to revaluation reserves in equity.

Buildings in use by NIBC are insured for EUR 64 million (2020: EUR 93 million). Other fixed assets are insured for EUR 25 million (2020: EUR 25 million).

Refer to note 36 Accruals, deferred income and other liabilities for the lease liabilities corresponding to the right-of-use assets.

Refer to note 9 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.

The fair value of the property and equipment does not materially deviate from the carrying amount.

29 Current tax

in EUR millions	2021	2020
Current tax assets	0	-
Current tax liabilities	3	3

Current tax will be settled within 12 months.

30 Deferred tax

in EUR millions	2021	2020
Deferred tax assets	5	5
Deferred tax liabilities	4	6
	2	**-**
Amounts of deferred income tax assets, without taking into consideration the offsetting of balances within the same jurisdiction		
Property and equipment	1	1
Tax losses carried forward	4	4
	5	**5**
Amounts of deferred income tax liabilities, without taking into consideration the offsetting of balances within the same jurisdiction		
Debt investments	0	1
Leasing	0	-
Cash flow hedges	3	5
	3	**6**
	2	**-**

in EUR millions	2021	2020
Gross movement on the deferred income tax account may be summarised as follows		
Balance at 1 January	**-**	**(2)**
Debt investments		
Fair value remeasurement charged/(credited) to revaluation reserve	1	-
Cash flow hedges		
Fair value remeasurement charged/(credited) to hedging reserve	1	-
Property and equipment		
Fair value remeasurement charged/(credited) to revaluation reserve	0	2
Temporary tax differences		
IFRS - HGB deferred tax	-	5
Tax losses carried forward	(0)	(5)
Balance at 31 December	**2**	**-**

DTA and DTL are measured for all temporary differences using the liability method.

DTA recognised in respect of carry forward losses can only be utilised if taxable profits are realised in the future. To measure DTA, NIBC takes a management best estimate regarding future compensation of carry forward losses. On 31 December 2021 it was probable that sufficient taxable profits would be generated within the applicable periods for the recognised DTA based on internal forecast over the coming four years.

The effective tax rate in the Netherlands for measuring deferred tax is 25.8% at 31 December 2021 for tax losses carried forward. This change is due to the enacted tax rate increase in 2021 of the Dutch corporate income tax effective as per 2022 from 25.0% to 25.8%. The most significant part of the recognised DTA relates to carry forward losses in the Netherlands.

The remaining Dutch carry forward losses amounts to EUR 106 million at 31 December 2021. From 1 January 2022, losses can be carried forward indefinitely in time. For taxable profits above EUR 1 million, the loss can only be set off against 50% of the remaining taxable profit of that year.

31 Other assets

in EUR millions	2021	2020
Accrued interest	0	-
Pending settlements	4	-
Other accruals and receivables	24	44
	28	**44**

The fair value of this balance sheet item does not materially differ from its face value, due to the short-term nature of its related assets.

32 Due to other banks

in EUR millions	2021	2020
Due to other banks	154	310
Due to central banks	548	690
	702	**1,000**
Due to other banks		
Payable on demand	15	36
Not payable on demand	687	965
	702	**1,000**
Legal maturity analysis of due to other banks not payable on demand		
Three months or less	40	566
Longer than three months but not longer than one year	70	35
Longer than one year but not longer than five years	562	316
Longer than five years	15	48
	687	**965**

Interest is recognised in interest expense from financial instruments measured at AC on an effective interest basis.

At 31 December 2021, an amount of EUR 40 million (2020: EUR 123 million) relates to cash collateral received from third parties.

According to management's best estimate achieving the conditions attached to the TLTRO-loans, NIBC considers the applicable interest rate on the outstanding TLTRO III loans to be comparable to rates on other secured funding instruments. Consequently, the drawings under the existing TLTRO-program are accounted for as financial instruments in line with IFRS 9.

As the original expected cash flows will remain unchanged there is no necessity to adjust the carrying amounts of the TLTRO-loans at 31 December 2021. The carrying amount of the TLTRO-loans (drawings under TLTRO III with a fixed interest coupon of minus 50 basis points), including the accrued interest receivable of EUR 2 million, is EUR 548 million at 31 December 2021 (2020: TLTRO II and III EUR 690 million). The TLTRO II loans matured in March 2021. The legal maturity date of the current TLTRO-loans lies between June 2023 (TLTRO III) and December 2024 (TLTRO III), although there is a voluntary redemption option starting one year after the settlement date of the respective TLTRO participation.

Interest payments will be settled in arrears. The collateral for the TLTRO-program consists of *Dutch Central Bank* (**DNB**) eligible debt investments and securitised mortgage loans. The interest rate, which is fixed for the entire maturity of the TLTRO II, was set in June 2018 and was set in June 2020 for TLTRO III.

The fair value does not materially differ from its face value.

33 Deposits from customers

in EUR millions	2021	2020
Retail deposits	10,549	10,244
Institutional/corporate deposits	783	893
	11,333	**11,137**
Deposits from customers		
On demand	7,752	7,123
Term deposits	3,581	4,014
	11,333	**11,137**
Legal maturity analysis of term deposits		
Three months or less	1,069	1,046
Longer than three months but not longer than one year	1,121	1,526
Longer than one year but not longer than five years	1,276	1,305
Longer than five years	114	137
	3,581	**4,014**

Interest is recognised in interest expense from financial instruments measured at AC on an effective interest basis.

The total amount of savings value with respect to mortgage loans in this item amounted to EUR 144 million in 2021 (2020: EUR 152 million).

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

in EUR millions	2021	2020
Legal maturity analysis of debt securities in issue structured		
Three months or less	-	25
Longer than three months but not longer than one year	20	-
Longer than one year but not longer than five years	40	65
Longer than five years	74	81
	133	**171**
Movement schedule of debt securities in issue structured		
Balance at 1 January	**171**	**184**
Additions	0	-
Disposals	(38)	(4)
Changes in fair value	(1)	(7)
Other (including exchange rate differences)	1	(2)
Balance at 31 December	**133**	**171**

The contractual amounts of these liabilities to be repaid at maturity, including unpaid but accrued interest at the balance sheet date, amounted to EUR 127 million at 31 December 2021 (2020: EUR 166 million).

The cumulative change in fair value included in the balance sheet amounts (designated at FVtPL) attributable to changes in interest rates and credit risk amounts to a loss of EUR 8 million. The change for 2021 is a loss of EUR 4 million recognised in OCI and a loss of EUR 4 million in the income statement (2020: gain of EUR 4 million). See note 43.7 for further information with respect to own credit risk.

The disposals of debt securities in issue designated at FVtPL for 2021 include redemptions at the scheduled maturity date to an amount of EUR 25 million (2020: EUR 4 million) and repurchases of debt securities before the legal maturity date to an amount of EUR 13 million (2020: nil).

The changes in fair value reflect movements due to both market interest rate changes and market 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.

Interest expense of EUR 6 million was recognised on debt securities in issue structured liabilities during 2021 (2020: EUR 7 million).

Other (including exchange rate differences) movement of EUR 1 million relates to cash inflow items (EUR 2 million) and EUR 1 million relates to net FX differences included in the consolidated statement of cash flows.

35 Provisions

in EUR millions	2021	2020
ECL allowances for off-balance sheet financial instruments	4	4
Employee benefits	2	2
	6	**6**

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 2021
Movement schedule of credit loss allowances on provisions					
Balance at 1 January	**2**	**1**	**-**	**1**	**4**
Movement schedule of ECL allowances for off-balance sheet financial instruments in the income statement					
New committed off-balance balance sheet financial instruments	2	-	-	0	2
Off-balance sheet financial instruments that have been derecognised	(1)	(0)	-	(0)	(1)
Net remeasurement of loss allowance	(0)	(0)	-	-	(0)
Transfers:					
Transfer from stage 1 to stage 2	(0)	0	-	-	0
Transfer from stage 2 to stage 1	-	(0)	-	-	(0)
	0	**(0)**	**-**	**(0)**	**0**
Balance at 31 December	**3**	**1**	**-**	**1**	**4**

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 2020
Movement schedule of credit loss allowances on provisions					
Balance at 1 January	**1**	**2**	**-**	**-**	**3**
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	-	-
Movements with no impact on credit loss allowances of financial assets in the income statement	**-**	**(1)**	**1**	**-**	**-**
Movement schedule of ECL allowances for off-balance sheet financial instruments in the income statement					
Off-balance sheet financial instruments that have been derecognised	(1)	(1)	-	-	(2)
Net remeasurement of loss allowance	-	1	(1)	1	-
Changes in model assumption and methodologies	2	1	-	-	2
	1	**1**	**(1)**	**1**	**1**
Balance at 31 December	**2**	**1**	**-**	**1**	**4**

in EUR millions	2021	2020
Movement schedule of employee benefits		
Balance at 1 January	**2**	**3**
Releases	(0)	(1)
Balance at 31 December	**2**	**2**

Employee benefit obligations of EUR 1 million at 31 December 2021 are related to payments to be made in respect of other leave obligations (2020: EUR 1 million).

in EUR millions	2021	2020
The amounts of pension charges recognised in personnel expenses in the income statement were as follows		
Collective Defined Contribution plans		
Employer's contribution	14	14
Participants' contributions	(2)	(1)
One-off employers pension contribution	-	1
	13	**13**

Employer's contributions in 2021 include EUR 3 million (2020: EUR 3 million) intended to compensate for the pension gap that arose as a result of changed tax rules that became effective as of 1 January 2015.

Obligations and expense under pension plans

A *Collective Defined Contribution* (**CDC**) plan is a pension plan under which NIBC each year pays a fixed percentage of the salaries of the members into the scheme. The size of the fund on retirement will be determined by how much was contributed to the scheme and the investment return achieved.

For defined-contribution plans, NIBC pays contributions directly into the member's scheme. NIBC has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The CDC-plan is based on an average salary plan. The retirement age is set at 68 years as per 1 January 2018. Under the CDC-plan the annual pension contributions are calculated according to a fixed contribution calculation mechanism. As from 1 January 2021 the annual pension contribution payable by NIBC is maximized at 32% of the pensionable salary (salary minus a social security deductible). By paying the agreed fixed annual contribution NIBC is released from all its obligations. NIBC has agreed upon with the Works Council on the distribution between the employer and the employees. As from 1 January 2021 the withholding payable in this CDC-plan for the employees is maximized at 5% per annum and consequently the net contribution borne by NIBC is 27%.

Until 1 August 2021 the CDC Plan of NIBC was executed by Stichting Pensioenfonds NIBC in liquidation. As per that date all assets and pension liabilities were transferred via a collective value transfer to Stichting De Nationale Algemeen Pensioenfonds Kring B. This has no impact on the CDC Plan itself nor on the pension premium paid.

36 Accruals, deferred income and other liabilities

in EUR millions	2021	2020
Payables	66	35
Lease liabilities[1]	4	5
Other accruals (including earn-out commitments)	19	21
Taxes and social securities	9	9
	98	**71**
Legal maturity analysis of lease liabilities		
Three months or less	0	-
Longer than three months but not longer than one year	1	1
Longer than one year but not longer than five years	1	2
Longer than five years	1	1
	4	**5**
Movement schedule of lease liabilities		
Balance at 1 January	**5**	**7**
Repayments	(2)	(2)
Other (including exchange differences)	0	-
Balance at 31 December	**4**	**5**

1 Refer to note 28 Property and equipment for the right-of-use assets corresponding to the lease liabilities.

Lease liability

For the year 2021 and 2020, there were no variable lease payments included in the measurement of the lease liabilities.

For the year ended 31 December 2021, interest expense on lease liabilities amounted to nil (2020: nil). Interest expense on lease liabilities is recognised within interest expense from financial instruments measured at AC (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;
- no purchase options are expected to be exercised;
- no payments of penalties for terminating the lease are included.

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

Other accruals

Taxes and social securities relate to EUR 2 million VAT (2020: EUR 1 million), EUR 4 million payroll tax (2020: EUR 4 million) and EUR 3 million withholding tax (2020: EUR 4 million).

37 Own debt securities in issue (amortised cost)

in EUR millions	2021	2020
Legal maturity analysis of own debt securities in issue		
Three months or less	485	34
Longer than three months but not longer than one year	521	106
Longer than one year but not longer than five years	3,271	2,923
Longer than five years	3,390	2,891
	7,667	**5,954**
Movement schedule of own debt securities in issue		
Balance at 1 January	**5,954**	**6,305**
Additions	1,916	783
Matured / redeemed	(247)	(1,095)
Other (including exchange rate differences)	44	(40)
Balance at 31 December	**7,667**	**5,954**

In 2021 NIBC issued two EUR 500 million fixed rate covered bonds with maturities of nine and ten years and a EUR 750 million fixed rate senior preferred green bond with a maturity of five years. Additionally, NIBC issued fixed rate senior preferred notes of EUR 75 million with maturities between four and ten years, EUR 40 million of floating senior preferred notes with maturities between two and four years and four years commercial paper of EUR 20 million. NIBC issued a 10 million USD bond with a maturity of two years. The total additions also include a EUR 19 million increase of the cumulative hedge adjustment (2020: increase of EUR 2 million).

The disposals of own debt securities in issue at AC for 2021 include redemptions at the scheduled maturity date and repurchases to an amount of EUR 197 million (2020: EUR 612 million) and (temporary) buyback of positions for EUR 50 million (2020 : EUR 483 million).

38 Debt securities in issue related to securitised mortgages (amortised cost)

in EUR millions	2021	2020
Legal maturity analysis of debt securities in issue related to securitised mortgage loans		
Longer than five years	267	327
	267	**327**
Movement schedule of debt securities in issue related to securitised mortgage loans		
Balance at 1 January	**327**	**392**
Matured / redeemed	(60)	(65)
Balance at 31 December	**267**	**327**

The disposals of own debt securities at AC for 2021 include repayments of debt securities before the legal maturity date to an amount of EUR 60 million (2020: EUR 65 million).

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

in EUR millions	2021	2020
Legal maturity analysis of subordinated liabilities		
Longer than ten years	196	165
	196	**165**
Movement schedule of subordinated liabilities		
Balance at 1 January	**165**	**167**
Additions	2	2
Changes in fair value	23	-
Other (including exchange rate differences)	6	(4)
Balance at 31 December	**196**	**165**

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 EUR 262 million at 31 December 2021 (2020: EUR 250 million).

The cumulative change in fair value included in the balance sheet amounts (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to a gain of EUR 67 million (2020: gain of EUR 93 million). The change for 2021 is a loss of EUR 30 million recognised in other comprehensive income (2020: loss of EUR 2 million). See note 43.7 for further information with respect to IFRS 9 Own credit risk.

Interest expense of EUR 5 million was recognised on subordinated liabilities in 2021 (2020: EUR 6 million). In 2021 and 2020 no gains or losses were realised on the repurchase of liabilities with respect to this balance sheet item.

40 Subordinated liabilities (amortised cost)

in EUR millions	2021	2020
Legal maturity analysis of subordinated liabilities		
Longer than one year but not longer than five years	52	51
Longer than five years but not longer than ten years	15	12
Longer than ten years	(0)	50
	67	**113**
Movement schedule of subordinated liabilities		
Balance at 1 January	**113**	**117**
Additions	4	-
Matured / redeemed	(52)	-
Other (including exchange rate differences)	2	(5)
Balance at 31 December	**67**	**113**

Interest expense of EUR 3 million was recognised on subordinated liabilities (AC) during 2021 (2020: EUR 4 million).

The total additions include a EUR 4 million increase of the cumulative hedge adjustment (2020: nil).

41 Equity

Flora Acquisition B.V. and Flora Holdings III Limited together are the legal holders of a 99.02% interest in the ordinary shares of NIBC Holding N.V. at 31 December 2021 (31 December 2020: 96.25%).

in EUR millions	2021	2020
Equity attributable to the equity holder		
Share capital	80	80
Share premium	238	238
Revaluation reserves		
Revaluation reserve - hedging instruments	9	13
Revaluation reserve - debt investments	1	3
Revaluation reserve - property	14	13
Revaluation reserve - own credit risk	55	89
Retained profit	1,431	1,367
	1,828	**1,803**

Share capital

The share capital is fully paid-up.

	2021	2020	2021	2020
	Numbers x 1,000		in EUR millions	
Authorised share capital	183,598	183,598	215	215
Unissued share capital	121,011	121,011	135	135
Issued share capital A shares	**62,587**	**62,587**	**80**	**80**
	Numbers x 1,000		in EUR millions	
The number and total amounts of authorised shares				
Class A ordinary shares	110,938	110,938	142	142
Class B, C, D, E1 and E3 preference shares	72,600	72,600	73	73
Class E4 preference shares	60	60	-	-
	183,598	**183,598**	**215**	**215**
			In EUR	
Classes and par values of authorised shares				
Class A ordinary shares			1.28	1.28
Class B, C, D, E1 and E3 preference shares			1.00	1.00
Class E4 preference shares			5.00	5.00

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

Revaluation reserves

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

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

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

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

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

Dividend restrictions
NIBC and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid-up capital, and reserves required by law. Additionally, certain Bank companies are subject to restrictions on the amount of funds they may transfer in the form of dividend or otherwise to the parent company. Refer to note 26 of the Company Financial Statements for detailed information regarding the Legal Reserves.

Changes in share premium and revaluation reserves in 2021

in EUR millions	Share premium	Hedging revaluation	Debt investments	Property	Own credit risk	Total
Balance at 1 January 2021	**238**	**13**	**3**	**13**	**89**	**356**
Net result on hedging instruments	-	(4)	-	-	-	(4)
Revaluation/remeasurement (net of tax)			(2)	1	(34)	(34)
Total recognised directly through other comprehensive income in equity during the year	**-**	**(4)**	**(2)**	**1**	**(34)**	**(39)**
Balance at 31 December 2021	**238**	**9**	**1**	**14**	**55**	**317**

Changes in share premium and revaluation reserves in 2020

in EUR millions	Share premium	Hedging revaluation	Debt investments	Property	Own credit risk	Total
Balance at 1 January 2020	**238**	**16**	**3**	**14**	**87**	**358**
Net result on hedging instruments	-	(3)	-	-	-	(3)
Revaluation/remeasurement (net of tax)	-	-	-	(1)	2	1
Total recognised directly through other comprehensive income in equity	**-**	**(3)**	**-**	**(1)**	**2**	**(2)**
Balance at 31 December 2020	**238**	**13**	**3**	**13**	**89**	**356**

Information on NIBC's solvency ratios is included in the risk management section of this Annual Report.

42 Capital securities

in EUR millions	2021	2020
Capital securities issued by NIBC	200	200
	200	**200**
Movement schedule of capital securities issued by NIBC		
Balance at 1 January	**200**	**200**
Profit attributable to holders of capital securities	12	12
Paid coupon on capital securities	(12)	(12)
Balance at 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 five-year euro swap rate +5.564%. Any payments including coupon payments are fully discretionary.

The principal amount of the capital securities will be written down if the CET 1 ratio of NIBC falls below 5.125%. Following such reduction, the principal amount may, at NIBC's discretion, be written-up to the original principal amount if certain conditions are met. In addition, the capital securities may be subject to a permanent write-down or conversion into equity in circumstances where the competent resolution authority would determine that NIBC has reached the point of non-viability or the occurrence of a bail-in.

43 Fair value of financial instruments

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

43.1 Valuation principles
43.2 Valuation governance
43.3 Financial instruments by fair value hierarchy
43.4 Valuation techniques
43.5 Valuation adjustments and other inputs and considerations
43.6 Impact of valuation adjustments
43.7 Own credit adjustments on financial liabilities designated at fair value
43.8 Transfers between level 1 and level 2
43.9 Movements in level 3 financial instruments measured at fair value
43.10 Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions
43.11 Sensitivity of fair value measurements to changes in observable market data
43.12 Fair value of financial instruments not measured at fair value
43.13 Non-financial assets valued at fair value

43.1 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).

43.2 Valuation governance

NIBC's fair value methodology and the governance over its models include 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.

43.3 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 31 December 2021

in EUR millions	Level 1	Level 2	Level 3	2021
Financial assets at fair value through profit or loss (including trading)				
Debt investments	-	46	1	47
Equity investments (including investments in associates)	-	-	221	221
Loans	-	144	5	148
Derivative financial assets	-	334	-	334
	-	**523**	**227**	**750**
Financial assets at fair value through other comprehensive income				
Debt investments	810	42	-	852
	810	**42**	**-**	**852**
	810	**565**	**227**	**1,602**

in EUR millions	Level 1	Level 2	Level 3	2021
Financial liabilities at fair value through profit or loss (including trading)				
Debt securities in issue structured	-	133	-	133
Derivative financial liabilities	-	154	-	154
Subordinated liabilities	-	196	-	196
	-	**483**	**-**	**483**

Fair value of financial instruments at 31 December 2020

in EUR millions	Level 1	Level 2	Level 3	2020
Financial assets at fair value through profit or loss (including trading)				
Debt investments	18	50	1	69
Equity investments (including investments in associates)	-	-	212	212
Loans	-	97	33	130
Derivative financial assets	-	494	-	494
	18	**641**	**246**	**905**
Financial assets at fair value through other comprehensive income				
Debt investments	870	16	-	886
	870	**16**	**-**	**886**
	888	**657**	**246**	**1,791**

in EUR millions	Level 1	Level 2	Level 3	2020
Financial liabilities at fair value through profit or loss (including trading)				
Debt securities in issue structured	-	171	-	171
Derivative financial liabilities	-	100	-	100
Subordinated liabilities	-	165	-	165
	-	**436**	**-**	**436**

43.4 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 and at fair value through other comprehensive income

Debt investments - level 1

For the determination of fair value at 31 December 2021, NIBC used market-observable prices. 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 31 December 2021, NIBC applied market-observable prices, 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.

Loans - level 2 and 3

Loans 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 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.

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 FX contracts. The most frequently applied valuation techniques include swap models using present value calculations, discounted at the daily corresponding forward rates. The models incorporate various inputs including FX 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.

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.

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.

The fair value of equity investments is established by applying capitalisation multiples to maintainable earnings. Maintainable earnings are estimated based on the normalised last 12 months' *Earnings before Interest, Tax, Depreciation and Amortisation* (**EBITDA**). Capitalisation multiples are derived from the enterprise value and the normalised last 12 months EBITDA. 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.

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 FVtPL and is reported on the face of the balance sheet under the following headings:
- Debt securities in issue structured (financial liabilities at FVtPL);
- Subordinated liabilities (financial liabilities at FVtPL).

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 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 FVtPL, the expected cash flows are discounted to present value using market observed credit spread rates.

43.5 Valuation adjustments and other inputs and considerations

Credit and debit valuation adjustments
NIBC calculates CVA/DVA (as defined in Critical accounting estimates and judgements) on a counterparty basis over the entire life of the exposure on derivatives.

Bid-offer
NIBC uses bid-offer prices (the difference between prices quoted for sales and purchases) from independent sources.

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.

43.6 Impact of valuation adjustments
The following table shows the amount recorded in the income statement:

in EUR millions	2021	2020
Day-1 profit	8	10
	8	**10**

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	2021	2020
Movement schedule of day-1 profit		
Balance at 1 January	**10**	**12**
Subsequent recognition due to amortisation	(1)	(2)
Balance at 31 December	**8**	**10**

43.7 Own credit adjustments on financial liabilities designated at fair value
Changes in the fair value of financial liabilities designated at FVtPL related to own credit are recognised in OCI 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	2021	2020
Recognised during the period (before tax)		
Unrealised gain/(loss)	(34)	2
	(34)	**2**
Unrealised life-to-date gain/(loss)	55	89
	55	**89**

A 10 basis point change in the weighted average credit spread used to discount future expected cash flows would change the fair value of financial liabilities at 31 December 2021 by EUR 2 million (31 December 2020: EUR 2 million).

43.8 Transfers between level 1 and level 2

Transfers between levels are reviewed semi-annually at the end of the reporting period. In 2021 and 2020 there were no transfers between level 1 and level 2.

43.9 Movements in level 3 financial instruments measured at fair value

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 2021	Amounts recognised in the income statement	Purchases/ Additions	Sales	Settle-ments/ Disposals	Transfers into level 3	At 31 December 2021
Financial assets at fair value through profit or loss (including trading)							
Debt investments	1	1	0	-	(1)	1	1
Equity investments (including investments in associates)	212	86	24	(101)	-	-	221
Loans	33	(3)	(1)	(17)	(10)	3	5
	246	**83**	**24**	**(118)**	**(12)**	**4**	**227**

in EUR millions	At 1 January 2020	Amounts recognised in the income statement	Purchases/ Additions	Sales	Settle-ments/ Disposals	Transfers into level 3	At 31 December 2020
Financial assets at fair value through profit or loss (including trading)							
Debt investments	2	(1)	1	-	-	(1)	1
Equity investments (including investments in associates)	251	3	16	(59)	-	-	212
Loans	34	(8)	1	-	-	6	33
	287	**(6)**	**18**	**(59)**	**-**	**5**	**246**

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

in EUR millions	31 December 2021 Net trading income	31 December 2021 Net gains or (losses) from assets and liabilities at fair value through profit or loss	31 December 2021 Investment income	31 December 2021 Total	31 December 2020 Net trading income	31 December 2020 Net gains or (losses) from assets and liabilities at fair value through profit or loss	31 December 2020 Investment income	31 December 2020 Total
Financial assets at fair value through profit or loss (including trading)								
Debt investments	1	-	-	1	(1)	-	-	(1)
Equity investments (including investments in associates)	-	-	86	86	-	-	3	3
Loans	-	(3)	-	(3)	-	(8)	-	(8)
	1	**(3)**	**86**	**83**	**(1)**	**(8)**	**3**	**(6)**

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:

in EUR millions	31 December 2021 Held at balance sheet date	31 December 2021 Derecognised during the period	31 December 2020 Held at balance sheet date	31 December 2020 Derecognised during the period
Financial assets at fair value through profit or loss (including trading)				
Debt investments	-	1	-	(1)
Equity investments (including investments in associates)	58	28	(2)	5
Loans	(3)	-	(8)	-
	55	**29**	**(10)**	**4**

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 relate to level 3 assets and liabilities are included in the income statement as follows:

in EUR millions	For the years ended 31 December 2021 Net gains or (losses) from assets and liabilities at fair value through profit or loss	31 December 2021 Investment income	31 December 2021 Total	31 December 2020 Net gains or (losses) from assets and liabilities at fair value through profit or loss	31 December 2020 Investment income	31 December 2020 Total
Financial assets at fair value through profit or loss (including trading)						
Equity investments (including investments in associates)	-	41	41	-	4	4
Loans	(3)	-	(3)	(8)	-	(8)
	(3)	**41**	**37**	**(8)**	**4**	**(4)**

43.10 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 43.11 Sensitivity of fair value measurements to changes in observable market data.

Given the wide range of 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.

in EUR millions	31 December 2021 Fair value of level 3 assets	31 December 2021 Fair value of level 3 liabilities	31 December 2020 Fair value of level 3 assets	31 December 2020 Fair value of level 3 liabilities
Financial assets at fair value through profit or loss (including trading)				
Debt investments	1	-	1	-
Equity investments (including investments in associates)	221	-	212	-
Loans	5	-	33	-
	227	**-**	**246**	**-**

Debt investments

For the valuation of level 3 debt investments NIBC uses valuation models that apply discounted cash flow analysis that incorporates both observable and unobservable data.

Equity investments (including investments in associates)
By absence of an active market the fair values of level 3 equity investments are estimated on the analysis of fund manager reports, companies financial position and other factors.

Loans
By absence of an active market and market observables for these loans, the fair value has been determined by usage of NIBC internal developed valuation models.

43.11 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 years ended			
	31 December 2021		31 December 2020	
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	0	1	-
Equity investments (including investments in associates)	221	11	212	11
Loans	5	0	33	2

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

- 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;
- 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 loans, the sensitivity in unobservable input parameters, such as the change in discount factor due to macroeconomic developments, company specific risk profile and yield offer vs. demand in sector is determined as 5%.

In 2021, there were no significant changes in the business or economic circumstances, excluding COVID-19, that affect the fair value of the NIBC's financial assets and liabilities and there were no reclassifications of financial assets.

43.12 Fair value of 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:

in EUR millions	Fair value information at 31 December 2021				
	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Debt investments	-	25	-	25	-
Loans	-	6,381	-	6,381	6,302
Lease receivables	-	8	-	8	8
Mortgage loans	-	-	11,659	11,659	11,930
Securitised mortgage loans	-	-	281	281	297
Financial liabilities at amortised cost					
Own debt securities in issue	-	7,667	-	7,667	7,830
Debt securities in issue related to securitised mortgages	-	-	267	267	269
Subordinated liabilities	-	67	-	67	68

in EUR millions	Fair value information at 31 December 2020				
	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Debt investments	-	22	-	22	22
Loans	-	6,309	-	6,309	6,285
Lease receivables	-	16	-	16	16
Mortgage loans	-	-	9,902	9,902	10,198
Securitised mortgage loans	-	-	343	343	365
Financial liabilities at amortised cost					
Own debt securities in issue	-	5,954	-	5,954	6,413
Debt securities in issue related to securitised mortgages	-	-	327	327	330
Subordinated liabilities	-	113	-	113	124

The fair value disclosed for the mortgage loans is based on the retail spread. The retail spread in turn is determined by taking into account the mortgage rates of newly originated loans in the consumer market. The offered mortgage rate is determined by collecting mortgage rates from other professional lenders sorted by product, *Loan-to-Value* (**LtV**) class and the fixed-rate period. The discount spread is derived by comparing the offered mortgage rate to the market interest rates taking into account various upfront costs embedded in the offered mortgage rate. Where deemed necessary, surcharges are added to reflect the illiquidity of certain sub-portfolios.

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.

43.13 Non-financial assets valued at fair value

Property and equipment / Investment Property
NIBC's land and buildings (for-own-use) are valued at fair value through equity, the carrying amount (level 3) at 31 December 2021 is EUR 26 million (31 December 2020: EUR 27 million).

NIBC's investment property (available-for-rental) are valued at FVtPL, the carrying amount (level 3) at 31 December 2021 is EUR 23 million (31 December 2020: EUR 21 million). The fair value of the right-of-use assets does not materially deviates from the carrying amount.

44 Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	At 31 December 2021					
				Related amounts not set off in the balance sheet		
in EUR millions	Gross amount of recognised financial assets	Gross amount of recognised financial assets set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Financial instruments collateral	Cash collateral paid	Net amount
Assets						
Derivative financial assets	334	-	334	-	40	293
	334	**-**	**334**	**-**	**40**	**293**
Liabilities						
Derivative financial liabilities	154	-	154	-	209	(55)
	154	**-**	**154**	**-**	**209**	**(55)**

	At 31 December 2020					
				Related amounts not set off in the balance sheet		
in EUR millions	Gross amount of recognised financial assets	Gross amount of recognised financial assets set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Financial instruments collateral	Cash collateral paid	Net amount
Assets						
Derivative financial assets	494	-	494	-	123	371
	494	**-**	**494**	**-**	**123**	**371**
Liabilities						
Derivative financial liabilities	100	-	100	-	120	(20)
	100	**-**	**100**	**-**	**120**	**(20)**

Related amounts which cannot be offset in the balance sheet position are amounts which are part of *International Swaps and Derivatives Association* (**ISDA**) netting agreements. The related amounts are reported on the asset side and the liability side of the balance sheet as the ISDA agreements do not meet all requirements for offsetting in IAS 32.

45 Repurchase and resale agreements and transferred financial assets

Repurchase and resale agreements

As per 31 December 2021 NIBC did not have any repurchase and resale agreement related positions as described in this note (2020: nil).

Transferred financial assets

This disclosure provides insight into the relationship between these transferred financial assets and associated financial liabilities in order to understand which risks NIBC is exposed to when the assets are transferred.

If transferred financial assets continue to be recognised on the balance sheet, NIBC is still exposed to changes in the fair value of the assets.

Transferred financial assets that are not derecognised in their entirety

The following table shows transferred financial assets that are not derecognised in their entirety:

	2021		2020	
	RMBS programme	Covered Bond programme	RMBS programme	Covered Bond programme
in EUR millions	Securitised mortgage loans (AC)	Mortgage loans own book (AC)	Securitised mortgage loans (AC)	Mortgage loans own book (AC)
Securitisations				
Carrying amount transferred assets	281	4,638	343	3,540
Carrying amount associated liabilities	267	999	327	999
Fair value of assets	281	4,771	343	3,686
Fair value of associated liabilities	269	1,012	330	1,029
Net position	**13**	**3,759**	**13**	**2,656**

Residential Mortgage-Backed Securities (RMBS) programme

NIBC uses securitisations as a source of funding whereby the SE issues debt securities. Pursuant to a securitisation transaction utilising true sale mechanics, NIBC transfers the title of the assets to SEs. When the cash flows are transferred to investors in the notes issued by consolidated securitisation vehicles, the assets (residential mortgage loans) are considered to be transferred.

The Covered Bond programme

Under NIBC's Covered Bond programme, notes are issued by NIBC from its own balance sheet. Bond holders are protected from suffering a loss in the event that NIBC defaults because at the moment the notes were issued, NIBC also transferred the legal title of a portfolio of mortgages to an SE to act as collateral manager for the covered bond investors. From a legal perspective, the SE guarantees the repayment of the Covered Bonds. The title transfer of the mortgages has been achieved by NIBC providing an inter-company loan on the same terms and conditions as the external bonds to the SE. The SE used the proceeds to purchase the mortgage portfolio. The net result is that the SE retains the legal title, but proceeds from the mortgages are passed through the intercompany loan to the covered bond holders. NIBC consolidates the SE on the basis that, in addition to having power as the sole owner, NIBC also is entitled to substantial variable returns through the over-collateralised portion of the sold mortgages.

Continuing involvement in transferred financial assets that are derecognised in their entirety

NIBC does not have any material transferred assets that are derecognised in their entirety, but where NIBC has continuing involvement.

46 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. These commitments are designated upon initial recognition at FVtPL.

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	2021	2020
Contract amount		
Committed facilities with respect to corporate loan financing	1,584	1,319
Committed facilities with respect to mortgage loans	598	443
Capital commitments with respect to equity investments	22	25
Guarantees granted (including guarantees related to assets held for sale)	26	23
Irrevocable letters of credit	39	48
	2,269	**1,857**

Refer to note 37 Provisions for the ECL-allowances on off-balance sheet financial instrument positions.

in EUR millions	2021	2020
Remaining legal maturity analysis of issued financial guarantees & commitments loans		
One year or less	772	480
Longer than one year but not longer than five years	958	261
Longer than five years but not longer than ten years	375	867
Longer than ten years	164	249
	2,269	**1,857**

The following tables show the credit quality and the maximum exposure to credit risk on financial guarantees and irrevocable letters of credit based on the NIBC's internal credit rating system and year-end stage classification.

Outstanding exposure - Guarantees granted & irrevocable letters of credit

in EUR millions	Stage 1	Stage 2	Stage 3	POCI	Total 2021
Internal rating grade					
Investment	1	-	-	-	1
Sub-investment	35	0	-	28	63
Unrated	0	-	-	-	0
	36	**0**	**-**	**28**	**65**

in EUR millions	Stage 1	Stage 2	Stage 3	POCI	Total 2020
Internal rating grade					
Investment	4	-	-	-	4
Sub-investment	31	6	-	29	65
Default	-	-	1	-	1
Unrated	1	-	-	-	1
	35	**6**	**1**	**29**	**71**

An analysis of changes in the outstanding exposures - financial guarantees and letters of credit is, as follows:

in EUR millions	Stage 1	Stage 2	Stage 3	POCI	Total 2021
Outstanding as at 1 January 2021	**35**	**6**	**1**	**29**	**71**
Exposures derecognised of matured/lapsed	(5)	(0)	(1)	(3)	(9)
Transfers:					
Transfers from stage 2 to stage 1	5	(5)	-	-	-
Foreign exchange adjustments	1	-	-	2	3
At 31 December 2021	**36**	**0**	**-**	**28**	**65**

in EUR millions	Stage 1	Stage 2	Stage 3	POCI	Total 2020
Outstanding as at 1 January 2020	**89**	**14**	**36**	**-**	**139**
New exposures	-	-	-	31	31
Exposures derecognised of matured/ lapsed	(50)	(9)	(37)	-	(96)
Transfers:					
Transfers from stage 1 to stage 2	(9)	9	-	-	-
Transfers from stage 2 to stage 1	6	(6)	-	-	-
Transfers from stage 2 to stage 3	-	(2)	2	-	-
Foreign exchange adjustments	(1)	-	-	(3)	(4)
At 31 December 2020	**35**	**6**	**1**	**29**	**71**

The following tables show the credit quality and the maximum exposure to credit risk on other undrawn commitments based on the NIBC's internal credit rating system and year-end stage classification.

Outstanding exposure - Other undrawn commitments

in EUR millions	Stage 1	Stage 2	Stage 3	POCI	Fair value	Total 2021
Internal rating grade						
Investment	375	-	-	-	-	375
Sub-investment	1,059	69	-	10	54	1,191
Default	-	-	1	-	-	1
Unrated	18	-	-	-	-	18
	1,451	**69**	**1**	**10**	**54**	**1,584**

in EUR millions	Stage 1	Stage 2	Stage 3	POCI	Fair value	Total 2020
Internal rating grade						
Investment	345	-	-	-	-	345
Sub-investment	872	44	-	7	28	951
Default	-	-	2	-	-	2
Unrated	21	-	-	-	-	21
	1,238	**44**	**2**	**7**	**28**	**1,319**

Analysis of changes in outstanding exposures - Other undrawn commitments

in EUR millions	Stage 1	Stage 2	Stage 3	POCI	Fair value	Total 2021
Outstanding as at 1 January 2021	**1,234**	**44**	**2**	**7**	**32**	**1,319**
New exposures	242	-	-	2	22	267
Exposures matured/lapsed	-	(14)	(0)	-	-	(15)
Transfers:						
Transfers from stage 1 to stage 2	(51)	51	-	-	-	-
Transfers from stage 2 to stage 1	13	(13)	-	-	-	-
Foreign exchange adjustments	12	1	(0)	0	-	13
At 31 December 2021	**1,451**	**69**	**1**	**10**	**54**	**1,584**

in EUR millions	Stage 1	Stage 2	Stage 3	POCI	Fair value	Total 2020
Outstanding as at 1 January 2020	**1,551**	**72**	**2**	**4**	**34**	**1,663**
New exposures	113	-	-	3	-	116
Exposures matured/lapsed	(383)	(37)	(26)	-	(2)	(448)
Transfers:						
Transfers from stage 1 to stage 2	(72)	72	-	-	-	-
Transfers from stage 2 to stage 1	36	(36)	-	-	-	-
Transfers from stage 2 to stage 3	-	(27)	27	-	-	-
Foreign exchange adjustments	(11)	1	(2)	-	-	(12)
At 31 December 2020	**1,234**	**45**	**1**	**7**	**32**	**1,319**

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.

Details of concentrations of credit risk including concentrations of credit risk arising from commitments and contingent liabilities as well as NIBC's policies for collateral for loans are set out in the Risk Management paragraph.

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* (**KYC**) 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 claims towards another financial institution within the Netherlands. The claimants have been contesting the contractual right of such mortgage lender to have adjusted the margin and alleged that the mortgage lender violated its duty of care towards the relevant customers. Given the similarity of the facts to the EURIBOR-based mortgages within the portfolio acquired by NIBC, NIBC is monitoring such developments and has notified the relevant clients that it will apply the final judicial outcome to the EURIBOR-based loans acquired by NIBC. The risks related to this legal issue were taken into account at the time of acquisition of this mortgage portfolio and factored into the consideration paid by NIBC at the time.

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

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

47 Assets transferred or pledged as collateral

in EUR millions	2021	2020
Assets have been pledged as collateral in respect of the following liabilities and contingent liabilities		
Liabilities		
Due to other banks/Own debt securities in issue	4,555	3,746
Debt securities in issue related to securitised loans and mortgages	555	653
Derivative financial liabilities	117	46
	5,227	**4,446**
Details of the carrying amounts of assets pledged as collateral		
Assets pledged		
Debt investments/Mortgage loans own book	5,425	4,509
Securitised loans and mortgages	684	825
Cash collateral (due from other banks)	209	120
	6,319	**5,454**

As part of NIBC's funding and credit risk mitigation activities, the cash flows of selected financial assets are transferred or pledged to third parties. Furthermore, NIBC pledges assets as collateral for derivative transactions. Substantially all financial assets included in these transactions are mortgage loans, other loan portfolios, debt investments and cash collateral. The extent of NIBC's continuing involvement in these financial assets varies by transaction.

The asset encumbrance ratio (encumbered assets and total collateral received re-used divided by total assets and total collateral re-used) at year end 2021 was 28% (2020: 26%).

48 Assets under management

NIBC provides collateral management services, whereby it holds and manages assets or invests funds received in various financial instruments on behalf of customers. NIBC receives fee income for providing these services. Assets under management are not recognised in the consolidated balance sheet. NIBC is not exposed to any credit risk relating to these assets, as it does not guarantee these investments.

in EUR millions	2021	2020
Assets held and managed by NIBC on behalf of customers	12,006	8,619
	12,006	**8,619**

Assets under management consist of the following activities:

- NIBC *Leveraged Finance Markets* (**LFM**) manages external investors' funds invested in sub-investment grade secured and unsecured debt. LFM focuses predominantly on European leveraged loans, infrastructure debt and high yield bonds;
- NIBC Infrastructure and Renewables manages external investors' funds invested in Infrastructure debt mainly located in the United Kingdom;
- Under OTM mandates, NIBC's Retail Client Offering manages external investors' funds invested in Dutch mortgages;

Refer to note 3 Net fee income for related investment management and OTM fee income.

NIBC's sustainability policy framework, including applicable sector policies, is also applicable to the investments made under these programmes.

For more information please see our website.

49 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.

in EUR millions	2021	2020
Transactions involving NIBC's shareholder		
Assets	43	136
Liabilities	-	-
Off-balance sheet commitments	-	-
Income received	0	1
Expenses paid	-	-

Transactions with other entities controlled by the parent company

in EUR millions	2021	2020
Transactions involving NIBC's shareholder		
Assets	501	534
Liabilities	(37)	(36)
Off-balance sheet commitments	123	119
Income received	4	4
Expenses paid	-	-

All intended deals with related parties, including the JC Flowers Fund IV related to the majority shareholder of NIBC, are (pre)discussed in the Related Party Transaction Committee. The transaction with JC Flowers Fund IV is at arm's length.

Transactions with other entities controlled by NIBC's shareholders

In 2021 and 2020 there were no transactions between NIBC and other entities controlled by NIBC's shareholders.

Transactions related to associates

in EUR millions	2021	2020
Transactions related to associates		
Assets	61	174
Liabilities	-	-
Off-balance sheet commitments	7	36
	-	
Income received	10	9
Expenses paid	-	-

Assets, liabilities, commitments and income related to associates result from transactions which are executed as part of the normal banking business. Summarised financial information for the group's investments in associates and joint ventures is set out in note 50 Principal subsidiaries and associates.

Key management personnel compensation

NIBC's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel is defined at those persons having authority and responsibility for planning, directing and controlling the activities of NIBC (directly and indirectly). Key management personnel for remuneration disclosure purposes of NIBC consist of the ExCo members (including Statutory Board members).

Details of the different reward components of the remuneration and holdings in NIBC Choice instruments of the Statutory Board members and details of the remuneration of the Supervisory Board members are also disclosed as part of the Related party transactions note. For details of holdings of other staff in NIBC Choice instruments reference is made to note 8 Personnel expenses and share-based payments.

IAS 24 'Related party disclosures' requires the following additional information for key management compensation (i.e. ExCo, including the Statutory Board).

Introduction

In 2021, the average number of members of the Statutory Board appointed under the articles of association was three (2020: three). For the total regular annual remuneration costs (including pension costs) for members of the Statutory Board reference is made to note 9 Personnel expenses and share-based payments. During 2021 no changes occurred in the Statutory Board.

Remuneration of the Statutory Board members

The Supervisory Board reviewed and amended NIBC's Remuneration Policy in 2021. The review took account of all relevant laws, regulations and guidelines: the Dutch Banking Code, the DNB Principles on Sound Remuneration Policies (DNB Principles), including additional DNB guidance on the implementation of the DNB Principles and the Committee of European Banking Supervisors Guidelines (CEBS Guidelines) on Remuneration Policies and Practices and CRD IV and the Dutch remuneration legislation for Financial Service Companies (Wet beloning Financiële ondernemingen (Wbfo)). In order to determine appropriate market levels of remuneration for the members of the Statutory Board, an analysis is made of comparable European financial institutions that are or were

Private Equity-owned. As a result of this evaluation of the base salary for the members of the Statutory Board has been amended as from 1 January 2021.

Compensation of ExCo-members awarded over the year 2021

in EUR	Base salary	Short term incentive compensation: One-off retention Package Cash	Pension related short term allowance[1]	Other remuneration elements	Total short-term incentive compensation
Mr. Paulus de Wilt	1,481,868	361,336	342,506	45,634	2,231,345
Mr. Herman Dijkhuizen	1,077,723	262,790	241,470	38,434	1,620,417
Mr. Reinout van Riel	1,077,723	262,790	241,470	38,434	1,620,417
Total Statutory Board	**3,637,314**	**886,917**	**825,447**	**122,502**	**5,472,180**
Current Executive Board members, not Statutory board (3)	1,270,503	127,051	233,744	87,474	1,718,771
Total Executive Committee	**4,907,817**	**1,013,968**	**1,059,190**	**209,976**	**7,190,951**

1 A collective allowance to compensate for loss of pension benefits with respect to salary in excess of EUR 112,189.

in EUR	Long-term (incentive) compensation: Post employment contribution	One-off retention package: Deferred Cash	One-off retention package: (Restricted)Phantom Share Units	Total
Mr. Paulus de Wilt	45,057	542,005	903,341	3,721,748
Mr. Herman Dijkhuizen	41,380	394,186	656,976	2,712,960
Mr. Reinout van Riel	40,295	394,186	656,976	2,711,875
Total Statutory Board	**126,732**	**1,330,377**	**2,217,293**	**9,146,582**
Current Executive Board members, not Statutory board (3)	103,039	190,578	317,627	2,330,015
Total Executive Committee	**229,771**	**1,520,955**	**2,534,920**	**11,476,597**

Compensation of ExCo-members awarded over the year 2020

in EUR	Base salary	Short term incentive compensation: Cash bonus	Pension related short term allowance[1]	Other remuneration elements	Total short-term incentive compensation
Mr. Paulus de Wilt	987,912	-	219,555	47,303	1,254,770
Mr. Herman Dijkhuizen	718,482	-	152,198	47,703	918,383
Mr. Reinout van Riel	718,482	-	152,198	40,103	910,783
Total Statutory Board	**2,424,876**	**-**	**523,951**	**135,109**	**3,083,936**
Current Executive Board members, not Statutory board (3)	1,270,503	-	235,357	92,481	1,598,341
Total Executive Committee	**3,695,379**	**-**	**759,308**	**227,590**	**4,682,277**

1 A collective allowance to compensate for loss of pension benefits with respect to salary in excess of EUR 110,111.

in EUR	Long-term (incentive) compensation Post employment contribution	One-off retention package Deferred Cash	 (Restricted)Phantom Share Units	Total
Mr. Paulus de Wilt	39,560	-	-	1,294,330
Mr. Herman Dijkhuizen	37,433	-	-	955,816
Mr. Reinout van Riel	36,315	-	-	947,098
Total Statutory Board	**113,308**	**-**	**-**	**3,197,243**
Current Executive Board members, not Statutory board (3)	98,278	-	-	1,696,619
Total Executive Committee	**211,585**	**-**	**-**	**4,893,862**

Under IFRS, certain components of variable remuneration are not recognised in the income statement directly, but are allocated over the vesting period of the award.

The comparable amount recognised in Personnel expenses and share-based payments in 2021 relating to remuneration expenses of 2021 and the vesting of earlier performance years, is EUR 0.1 million in 2021 (2020: EUR 0.1 million). The aforementioned information reconciles the compensation granted and the related expenses in the income statement for Statutory Board members as disclosed innote 8 Personnel expenses and share-based payments.

Remuneration of the Supervisory Board members

The remuneration of the (former) Supervisory Board members relates to their position within NIBC Holding and NIBC Bank. The total remuneration of (former) Supervisory Board members for the year 2021 amounts to EUR 881,315 (2020: EUR 606,484).

For the part of the reporting period in which NIBC was still listed at the Euronext stock exchange (1 January – 18 February 2021), the remuneration of the relevant Supervisory Board members is presented in the following table. The comparative amounts are for the full year 2002.

in EUR	2021 (listed period only)	2020 (full year)
Members:		
D.M. Sluimers	22,151	130,736
A.G.Z. Kemna	17,452	108,416
Q. Abbas[1]	-	-
R.L. Carrión[2]	-	63,247
M.J. Christner[3]	-	63,247
N.D.E.D. El Gabbani[1]	-	-
J.C. Flowers[4]	-	52,706
J.J.M. Kremers	15,438	105,227
S.M. Zijderveld	12,753	82,906
Total remuneration	**67,795**	**606,484**

1 Member of the Supervisory Board without fee
2 R.L. Carrión stepped down as a member of the Supervisory Board at the end of the term as per 30-12-2020
3 M.J. Christner stepped down as a member of the Supervisory Board at the end of the term as per 30-12-2020
4 J.C. Flowers stepped down as a member of the Supervisory Board at the end of the term as per 30-12-2020

The remuneration of the Supervisory Board members consists of annual fixed fees and committee fees. As at 31 December 2021 and 31 December 2020, no loans, advance payments or guarantees had been provided by the company to Supervisory Board members.

(Restricted) Phantom Share Units

Phantom Share Units

Since 2010, an equity-linked reward instrument is part of the Short-Term Incentive (STI) plan. The short-term compensation in share-related awards consists of PSUs and/or RPSUs. RPSU awards are subject to a four-year vesting1) with one fourth vesting each year on 1 April. All PSUs and RPSUs are subject to a one-year retention period as measured from the date of vesting. For the Statutory Board the lock-up period of the equity-linked instruments is five years. RPSUs are not eligible for dividend. This short-term compensation can be converted into cash immediately after the retention period and therefore is recognised as cash-settled.

Holdings of NIBC Choice instruments of ExCo-members at 31 December 2021

1	Number of phantom share units	Number of restricted phantom share units	Number of CDRs granted under the one-off retention package (vested)	Number of CDRs granted under the one-off retention package (unvested)	Number of CDRs acquired via the DRPP
Mr. Paulus de Wilt	83,175	75,029	-	-	-
Mr. Herman Dijkhuizen	59,758	54,566	-	-	-
Mr. Reinout van Riel	61,737	54,566	-	-	-
Total Statutory Board	**204,670**	**184,161**	**-**	**-**	**-**
Current Executive Board members, not Statutory board (3)	24,552	33,453	-	-	-
Total Executive Committee	**229,222**	**217,614**	**-**	**-**	**-**

1 Including the number of (restricted) phantom share units that has been granted under the one-off retention package on 30 december 2021.

Holdings of NIBC Choice instruments of ExCo-members at 31 December 2020

	Number of phantom share units	Number of restricted phantom share units	Number of CDRs granted under the one-off retention package (vested)	Number of CDRs granted under the one-off retention package (unvested)	Number of CDRs acquired via the DRPP
Mr. Paulus de Wilt	39,388	8,951	74,367	29,665	54,498
Mr. Herman Dijkhuizen	27,354	6,457	54,084	21,502	39,635
Mr. Reinout van Riel	24,524	6,457	54,084	21,502	-
Total Statutory Board	**91,266**	**21,865**	**182,535**	**72,569**	**94,133**
Current Executive Board members, not Statutory board (3)	20,933	16,749	86,760	34,491	-
Total Executive Committee	**112,199**	**38,614**	**269,295**	**107,060**	**94,133**

The previous table includes the numbers of CDRs, following the first and second tranche of the one-off retention package granted in view of the IPO at 23 March 2018. The CDRs related to the first tranche of the one-off retention package were unconditionally awarded on 23 March 2018, the CDRs related to the second tranche of the one-off retention package were unconditionally awarded on 23 March 2019. For the conversion to ordinary A2 shares reference is made to the overview of CDR holdings of ExCo members in ordinary A2 shares Flora Holdings III Limited.

Related party transactions

The Group has not granted any loans, guarantees or advances to members of the Managing Board. ExCo members and other selected senior staff have participated in a *Management Investment Plan* (**MIP**), of which the details are provided in the following section.

Management Investment Plan

Selected members of NIBC management, consisting of the Managing Board, ExCo members and other selected senior staff, (the participants) have been provided with an opportunity in 2021 to make an indirect investment with own funds in NIBC Holding N.V. through a MIP. To facilitate the allocation of the MIP investment to individual employees, the investment in the MIP is held indirectly via a *management holding company* ('**ManCo**'). ManCo issues shares to a specially incorporated foundation (Stichting Administratiekantoor Management NIBC) that issues depositary receipts to each participant as evidence of the investment. These depositary receipts entitle a participant to the full economic benefit of the underlying shares held by ManCo in an indirect parent company of NIBC Holding N.V.. The ability of a participant to dispose of the share investment is linked to the Blackstone Group's exit. Typically, a participant will be able to sell a proportion of the investment equal to the proportion sold at exit. Furthermore, there are specific provisions governing an exit through an IPO where the ability to dispose of shares may be restricted by customary lock-up periods. ManCo is capitalised with ordinary B shares. The company or another Group entity will under no circumstances be required to settle in cash. Accordingly, there is no impact on the Group's results or its financial position from the MIP.

When Flora Holding III Limited exits its investment in NIBC Holding N.V., the ordinary B shares held by the participants in the MIP will share in the excess return above a certain threshold according to a predefined formula.

The movements in the number of ordinary B shares that the participants have indirectly acquired under the MIP are as follows:

Number of ordinary B shares acquired under the Management Investment Plan

	2021	2020
Changes in ordinary B shares:		
Balance at 1 January[1]	**-**	**-**
Issued, 1st tranche Januari 2021	66,880,000	-
Issued, 2nd tranche December 2021	1,760,000	-
Balance at 31 December	**68,640,000**	**-**

1 Preference B shares are not entitled to dividend.

In total, the participants have indirectly invested an amount of EUR 0.9 million via ManCo in NIBC Holding N.V.. As part of the first tranche, the Statutory Board has made a cash investment of EUR 0.5 million.

CDR holdings of ExCo-members in ordinary A2 shares Flora Holdings III Limited
Due to regulatory restrictions, the 470,488 NIBC Holding shares (consisting of 376.355 CDRs related to the one-off retention package concerning the IPO of NIBC Holding N.V. on 23 March 2018 and of 94,133 CDRs related to direct cash investments) held by ExCo-members were exchanged by Stichting Administratiekantoor NIBC Holding N.V. like-for-like into 3.753,408 ordinary A2 shares of Flora Holdings III Limited in January 2021. Per the end of December 2021, the number of CDRs related to direct cash investments equal 668,272.

The movements in the number of CDRs related to ordinary A2 shares Flora Holdings III Ltd. held by ExCo members is as follows:

Number of CDRs related to ordinary A2 shares Flora Holdings III Limited

	2021	2020
Changes in CDRs:		
Balance at 1 January before exchange CDR's into ordinary A2 shares[1]	**470,488**	**-**
After exchange CDRs into ordinary A2 shares	3,753,408	-
CDRs ordinary A2 shares sold to Flora Holdings III Limited	(284,919)	-
New investments in CDRs of ordinary A2 shares Flora Holdings III Limited	202,227	-
Balance at 31 December	**3,670,716**	**-**
Breakdown		
Current Statutory Board (3)	2,703,414	-
Current Executive Board members, not Statutory board (3)	967,302	-
	3,670,716	**-**

1 Ordinary A2 shares (if vested) are entitled to dividend.

The fair value used for the conversion of CDRs with ordinary shares NIBC Holding N.V. as underlying into CDRs with ordinary A2 shares of Flora Holdings III Limited as underlying is equal to the share-price paid by Flora Acquisition B.V. at transaction date 30 December 2020. Prior to the transaction the fair value of CDRs with ordinary shares NIBC Holding N.V. as underlying was equal to the listed share price of NIBC Holding. The fair value per share NIBC Holding N.V. at 31 December 2020 was EUR 7.00.

50 Principal subsidiaries and associates

Information on principal subsidiaries

Composition of NIBC
NIBC consists of 45 (2020: 45) consolidated entities, including 11 (2020: 13) consolidated SEs (for further details see note 51 Structured entities). 34 (2020: 32) of the entities controlled by NIBC are directly or indirectly held by NIBC at 100% of the ownership interests (share of capital). Third parties also hold ownership interests in 11 (2020: 13) of the consolidated entities (non-controlling interests).

Principal subsidiaries
NIBC's principal subsidiaries are set out in the following table. This includes those subsidiaries that are most significant in the context of NIBC's business, results or financial position.

	Principal place of business	Country	Nature of company	Percentage of voting rights held
Subsidiaries of NIBC Bank N.V.				
Parnib Holding N.V.	The Hague	Netherlands	Financing	100%
Counting House B.V.	The Hague	Netherlands	Financing	100%
B.V. NIBC Mortgage-Backed Assets	The Hague	Netherlands	Financing	100%
NIBC Principal Investments B.V.	The Hague	Netherlands	Financing	100%
NIBC Financing N.V.	The Hague	Netherlands	Financing	100%

Significant judgements and assumptions used to determine the scope of the consolidation

Determining whether NIBC has control of an entity is generally straightforward, based on ownership of the majority of the voting rights. However, in certain instances this determination will involve significant judgement, particularly in the case of SEs where voting rights are often not the determining factor in decisions over the relevant activities. This judgement may involve assessing the purpose and design of the entity. It will also often be necessary to consider whether NIBC, or another involved party with power over the relevant activities, is acting as a principal in its own right or as an agent on behalf of others.

There is also often considerable judgement involved in the ongoing assessment of control over SEs. In this regard, where market conditions have deteriorated such that the other investors' exposures to the structure's variable returns have been substantively eliminated, NIBC may conclude that the managers of the SE are acting as its agent and therefore NIBC will consolidate the SE.

An interest in equity voting rights exceeding 50% (or in certain circumstances large minority shareholding) would typically indicate that NIBC has control of an entity. However certain entities are excluded from consolidation because NIBC does not have exposure to their variable returns and/or are managed by external parties and consequently are not controlled by NIBC. Where appropriate, interests relating to these entities are included in note 51 Structured entities.

See the basis of consolidation section of the Accounting policies for further information on other factors affecting consolidation of an entity.

Significant restrictions to access or use NIBC's assets

Legal, contractual or regulatory requirements as well as protective rights of non-controlling interests might restrict the ability of NIBC to access and transfer assets freely to or from other entities within NIBC and to settle liabilities of NIBC.

Since NIBC did not have any material non-controlling interests at the balance sheet date, any protective rights associated with these did not give rise to significant restrictions.

Restrictions impacting NIBC's ability to use assets:

- NIBC has pledged assets to collateralise its obligations under repurchase agreements, securities financing transactions, collateralised loan obligations and for margining purposes of OTC derivative liabilities;
- The assets of consolidated SEs are held for the benefit of the parties that have bought the notes issued by these entities;
- Regulatory and central bank requirements or local corporate legislation may restrict NIBC's ability to transfer assets to or from other entities within NIBC in certain jurisdictions.

Carrying amounts of restricted assets

	At 31 December 2021		At 31 December 2020	
in EUR millions	Assets	Restricted assets	Assets	Restricted assets
Cash and balances with central banks	1,793	138	1,909	125
Due from other banks	804	719	645	550
Financial assets at fair value through profit or loss (including trading)				
Debt investments	47	-	69	-
Equity investments (including Investments in associates)	221	107	212	87
Loans	148	-	130	-
Financial assets at fair value through other comprehensive income				
Debt investments	852	-	886	-
Financial assets at amortised cost				
Debt investments	25	-	22	-
Loans	6,381	713	6,309	708
Lease receivables	8	-	16	-
Mortgages own book	11,659	7,090	9,902	6,999
Securitised mortgage loans	281	281	343	343
Other				
Investments in associates and joint ventures (equity method)	16	9	15	9
	22,237	**9,058**	**20,458**	**8,821**

The previous table excludes assets which are solely subject to restrictions in terms of their transferability within NIBC, caused by e.g. local lending requirements or similar regulatory restrictions. Regulatory minimum liquidity requirements are also excluded from the table. NIBC identifies the volume of liquidity reserves in excess of local stress liquidity outflows. The aggregate amount of such liquidity reserves that are considered restricted for this purpose is EUR 138 million and EUR 125 million as per 31 December 2021 and 2020, respectively.

A list of participating interests and companies for which a statement of liability have been issued has been filed at the Chamber of Commerce in The Hague.

Information on associates

NIBC holds interests in 34 (2020: 27) associates. Three associates are considered to be material to NIBC, based on the carrying value of the investment and NIBC's income from these investees. There are no joint arrangements which are considered individually significant.

Accounting classification and carrying value

in EUR millions	2021	2020
Investments in associates (fair value through profit or loss)	97	118
Investments in associates and joint ventures (equity method)	16	15
	113	**133**

Significant associates
NIBC's interests in significant associates are classified as associates FVtPL and are all unlisted.

The following tables illustrate the summarised financial information of NIBC's investments in associates material to NIBC.

Name of the associate	Principal place of business	Country	Nature of company	Percentage of voting rights held
Well Gear Group BV	Westerbork	Netherlands	Energy Company	20%
Cooperatie Rotterdam Port Fund UA	Rotterdam	Netherlands	Shipping	45%
Finco Fuel Benelux B.V.	Dordrecht	Netherlands	Oil company	30%

The amounts shown in the following table are of the investees, not just NIBC's share for the year ended 31 December 2021.

in EUR millions	Assets	Liabilities	Operating income	Other comprehensive income	Total comprehensive income[1]
Well Gear Group BV	52	31	10	-	10
Cooperatie Rotterdam Port Fund UA	25	0	1	-	1
Finco Fuel Benelux B.V.	190	156	3	-	3

1 The figures are based on the latest available financial information of the investee.

NIBC received no dividends from above significant associates in 2021 and 2020.

Investments in associates and joint ventures (equity method)
NIBC's investments in associates and joint ventures (equity method) are EUR 16 million for the year ended 31 December 2021 (31 December 2020: EUR 15 million).

Associates

in EUR millions	2021	2020
Profit or loss from continuing operations	1	3
	1	**3**

in EUR millions	2021	2020
Aggregated amount of NIBC's share of profit/(loss) from continuing operations	1	-
	1	**-**

Unrecognised share of the losses of individually immaterial associates was nil in 2021 and 2020.

Other information on associates

NIBC's associates are subject to statutory requirements such that they cannot make remittances of dividends or make loan repayments to NIBC without agreement from the external parties.

NIBC's share of contingent liabilities or capital commitments of its associates and joint ventures was nil in 2021 and 2020.

51 Structured entities

A *structured entity* (**SE**) is an entity in which voting or similar rights are not the dominant factor in deciding control. SEs are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.

The principal use of SEs is to provide clients with access to specific portfolios of assets and to provide market liquidity for clients through securitising financial assets. SEs may be established as corporations, trusts or partnerships. SEs generally finance the purchase of assets by issuing notes that are collateralised by and/or indexed to the assets held by the SEs. The notes issued by SEs may include tranches with varying levels of subordination.

SEs are consolidated when the substance of the relationship between NIBC and the SEs indicate that the SEs are controlled by NIBC, as discussed in the Accounting policies section Basis of consolidation. In other cases it may sponsor or have exposure to such an entity but not consolidate it.

Consolidated structured entities

Nature, purpose and extent of NIBC's interests in consolidated structured entities

Securitisation vehicles

NIBC primarily has contractual arrangements for securitisation vehicles which may require it to provide financial support. NIBC uses securitisation as a source of financing and a means of risk transfer. At 31 December 2021, there were no significant outstanding loan commitments to these entities (2020: immaterial).

Financial support provided or to be provided to consolidated SEs NIBC has not provided any non-contractual financial support during 2021 and 2020 and does not anticipate providing non-contractual support to consolidated SEs in the future.

Unconsolidated structured entities

Nature, purpose and extent of NIBC's interests in unconsolidated structured entities

The SEs covered by this section are not consolidated since NIBC does not has control them through voting rights, contract, funding agreements and/or other means. The extent of NIBC's interests in unconsolidated SEs will vary depending on the type of SE. Examples of interests in unconsolidated

SEs include debt or equity investments, liquidity facilities and guarantees in which NIBC is absorbing variability of returns from the SEs.

Securitisation vehicles

NIBC establishes securitisation vehicles which purchase diversified pools of assets, including fixed-income securities, corporate loans, and asset-backed securities (predominantly commercial, residential and mortgage-backed assets). The securitisation vehicles fund these purchases by issuing multiple tranches of notes.

Third-party fund entities

NIBC provides funding to SEs that hold a variety of assets. These entities may take the form of funding entities, trusts and private investment companies. The funding is collateralised by the asset in the SEs. NIBC's involvement involves predominantly equity investments.

Income derived from involvement with unconsolidated structured entities

NIBC earns management fees and, occasionally, performance-based fees for its investment management services in relation to funds. Interest income is recognised on the funding provided to SEs. Movements in the value of different types of notes held by NIBC in SEs are recognised in net trading income.

Maximum exposure to unconsolidated structured entities

The maximum exposure to loss is determined by considering the nature of the interest in the unconsolidated SE. The maximum exposure for loans and trading instruments is reflected in their carrying amounts in the consolidated balance sheet. The maximum exposure for off-balance sheet instruments such as guarantees, liquidity facilities and loan commitments under IFRS 12, as interpreted by NIBC, is reflected by the notional amounts. Such amounts do not reflect the economic risks faced by NIBC because they do not take into account the effects of collateral or hedges nor the probability of such losses being incurred.

At 31 December 2021 off-balance sheet instruments amount to EUR 22 million (2020: EUR 25 million). There were no derivatives linked to structured unconsolidated entities.

Size of structured entities

NIBC provides a different measure for the size of SEs depending on their type. The following measures have been considered as appropriate indicators for evaluating the size of SEs:

- Securitisations – notional of notes in issue when NIBC derives its interests through notes its holds and notional of derivatives when NIBC's interests is in the form of derivatives;
- Third party fund entities – total assets in entities. For third party fund entities, size information is based on the latest available investor reports and financial statements.

Summary of interests in unconsolidated structured entities

The following table shows, by type of unconsolidated SE, the carrying amounts of NIBC's interests recognised in the consolidated statement of financial position as well as the maximum exposure to loss resulting from these interests. It also provides an indication of the size of the SEs.

in EUR millions	Securitisations	Third party fund entities	2021
Financial assets at fair value through profit or loss (including trading)			
Equity investments (including investments in associates)	-	107	107
Financial assets at fair value through other comprehensive income			
Debt investments	175	-	175
Total assets	**175**	**107**	**282**
Off-balance sheet exposure	-	22	22
Total maximum exposure to loss	**175**	**129**	**303**
Size of structured entities	8,878	33,999	42,877

in EUR millions	Securitisations	Third party fund entities	2020
Financial assets at fair value through profit or loss (including trading)			
Equity investments (including investments in associates)	-	80	80
Financial assets at fair value through other comprehensive income			
Debt investments	206	-	206
Total assets	**206**	**80**	**286**
Off-balance sheet exposure	-	25	25
Total maximum exposure to loss	**206**	**105**	**311**
Size of structured entities	11,417	43,682	55,099

As per year-end 2021 NIBC did not have any loans (2020: nil) consist of investments in securisations tranches and financing to third party fund entities.

No debt investments are collateralised by the assets contained in these entities.

Equity investments of EUR 129 million (2020: EUR 105 million) primarily consist of investments of EUR 56 million, EUR 22 million and EUR 11 million in JCF IV Coinvest Neptun I L.P., JC Flowers IV LP and Cooperatie Rotterdam Port Fund UA. respectively.

Exposure to losses

NIBC's exposure to losses related to securitisations depends on the level of subordination of the interest which indicates the extent to which other parties are obliged to absorb credit losses before NIBC. This is summarised in the following table. There is no significant level of subordination relating to third-party funding.

in EUR millions	Subordinated interests	Mezzanine interests	Senior interests	Most senior interests	2021
Securitisations					
I) Maximum exposure to loss	-	-	-	175	175
II) Potential losses held by other investors	-	166	604	7,934	8,704

in EUR millions	Subordinated interests	Mezzanine interests	Senior interests	Most senior interests	2020
Securitisations					
I) Maximum exposure to loss	-	-	-	206	206
II) Potential losses held by other investors	-	177	746	10,289	11,211

Income from interests in unconsolidated structured entities
The following table presents NIBC's total income received from its interests in unconsolidated SEs:

in EUR millions	Securitisations	Third party entities	2021
Net income unconsolidated structured entities			
Net fee income	0	-	0
Investment income	-	28	28
	0	**28**	**29**

in EUR millions	Securitisations	Third party entities	2020
Net income unconsolidated structured entities			
Net fee income	-	-	-
Investment income	-	9	9
	-	**9**	**9**

Financial support provided or to be provided to unconsolidated structured entities
NIBC has not provided any non-contractual financial support during the period and does not intend to provide non-contractual support to unconsolidated SEs in the future.

Sponsored unconsolidated structured entities
As a sponsor, NIBC is involved in the legal structure and marketing of the entity and supports the entity in different ways, namely:
- transferring assets to the entities;
- providing operational support to ensure the entity's continued operation.

NIBC is also deemed a sponsor for a SE if market participants would reasonably associate the entity with NIBC. Additionally, the use of the NIBC name for the SE indicates that NIBC has acted as a sponsor.

Income from sponsored unconsolidated SEs in which NIBC did not hold an interest as per 31 December 2021 amounts to nil (31 December 2020: nil).

Assets transferred to unconsolidated sponsored structured entities
The carrying amounts of assets transferred to sponsored unconsolidated SEs during the period were nil.

52 Interest Rate Risk in the Banking Book

NIBC defines *Interest Rate tisk in the Banking Nook* (**IRRBB**) as the risk of losses from interest rate sensitive positions in non-trading activities due to movements in interest rates. Interest rate risk is measured both from an economic value perspective and an earnings perspective. The first perspective considers the impact on the market value, while the latter considers the impact on the net interest income.

NIBC's banking book consists of:
- Corporate treasury
- Commercial Treasury
- Corporate banking
- Retail banking

Risk appetite

The risk appetite for IRRBB from an economic value perspective is measured by the modified duration of equity and equal to 5 (with a tolerance of 7.5), while the risk appetite from an earnings perspective is measured by the impact on 1Y earnings and equal to EUR 18 million (assuming a shift in interest rates of 100 bps).

Risk monitoring and measurement

From an economic value perspective the impact of an instantaneous shift in interest rates on a static portfolio is considered. Interest BPV and interest VaR measures are calculated on a daily basis and reviewed by the Market Risk department:
- Interest BPV measures the sensitivity of the market value to an instantaneous change of one basis point in each time bucket of the interest rate curve. The BPV as displayed in the tables represents the sensitivity of the market value to a one-basis-point, parallel upward shift of the underlying curve;
- The interest VaR measures the threshold value, which daily marked-to-market losses with a confidence level of 99% will not exceed, based on four years of historical data for daily changes in interest rates. These daily changes are superimposed on the current market rates. The VaR is calculated by means of full valuation to take non-linearity into account. The VaR model was updated in October 2021 to include the historical data starting from 2008 (the previous VaR calculation was based on the most recent four years of historical data).

In measuring BPV and VaR for the Banking book the (credit) spreads have been excluded from cashflows and discounting, in line with EBA guidelines.
From the earnings perspective changes in interest rates occur both instantaneously and gradually over time. *Earnings at risk* (**EaR**) is calculated by means of the following measure:
- 12 months earnings impact due to a 200 bps gradual upwards or downwards interest rate shock per currency

EaR as displayed in the tables represents the 200 bps gradual upwards measure.

The interest rate risk analysis is complemented by a set of scenarios, including scenarios intended as stress testing and vulnerability identification, both based on historical events and on possible future events.

Limits are set on the above measures, both those from the economic value perspective and from an earnings perspective. The limits and utilisation are reported to the ALCO once every month. Any major breach of IRRBB limits is reported to the CRO immediately.

Interest rate risk

Interest Rate Risk in the Banking Book
IRRBB from an economic value perspective is mainly present in the Mismatch book.

NIBC accepts a certain economic value risk exposure in the Mismatch book. We call this our strategic mismatch exposure.

The Mismatch book exclusively contains interest rate swaps in EUR and GBP as these are, next to USD, the major currencies in which also lending activities take place. The Mismatch book contained no USD position in 2021. At year-end of 2021 the total notional position is EUR 452 million, with 79% of the mismatch position held in EUR and 21% in GBP. Duration based the relative positions would be 87% in EUR and 13% in GBP.

The Mortgage loan book consists of:
- The White Label portfolio (including the Finqus portfolio acquired in November 2021) which has a size of EUR 4 billion with EUR 9 million in Germany.
- The NIBC Direct portfolio which has a size of EUR 7.4 billion.
- The LOT portfolio was launched in 2020 and which has a size of EUR 421 million.

The mortgage loan portfolios are accounted on AC and notional hedging is applied to hedge the interest rate risk.

The Corporate Treasury book contains mainly the funding activities of NIBC and the corporate loan books. The Liquidity portfolio, Collateral portfolio and Debt Investments portfolio are part of the Banking Book and consist mainly of investments in financial institutions and securitisations.

Tables 52-1 and 52-2 illustrate (in EUR) the interest rate sensitivity for EUR, USD and GBP in the Mismatch and remaining Banking book at year-end 2021 and 2020. For other currencies, the interest rate risk is minimal. The Earnings perspective numbers are the result of applying a gradual 200 bps upward shift.

52-1 Interest rate statistics Banking book, 31 December 2021

	Economic value perspective (BPV)			Earnings perspective (EaR)		
IN EUR THOUSANDS	Mismatch	Other	Total	Mismatch	Other	Total
EUR	(128)	(65)	(193)	(2,814)	17,089	14,275
USD	-	(9)	(9)	-	151	151
GBP	(18)	(15)	(33)	(866)	(1,651)	(2,517)
Other	-	(1)	(1)	-	728	728
TOTAL	**(146)**	**(90)**	**(236)**	**(3,679)**	**16,317**	**12,638**

52-2 Interest rate statistics Banking book, 31 December 2020

	Economic value perspective (BPV)			Earnings perspective (EatR)		
IN EUR THOUSANDS	Mismatch	Other	Total	Mismatch	Other	Total
EUR	(107)	74	(33)	(2,280)	11,004	8,724
USD	-	(4)	(4)	-	935	935
GBP	(26)	(2)	(29)	(756)	(990)	(1,746)
Other	-	(1)	(1)	-	1,146	1,146
TOTAL	**(133)**	**66**	**(67)**	**(3,036)**	**12,094**	**9,058**

From the economic value perspective more detailed statistics with respect to the Mismatch book are presented in the following table.

52-3 Interest rate statistics Mismatch book

	2021		2020	
IN EUR THOUSANDS	Interest rate BPV	Interest rate VaR	Interest rate BPV	Interest rate VaR
Max[1]	(152)	1,396	(169)	808
Average	(122)	716	(156)	742
Min [2]	(100)	442	(133)	596
YEAR-END	**(146)**	**1,327**	**(133)**	**596**

In the following table the interest BPV statistics of the Banking book are presented. Credit spreads were excluded from the calculation, in line with EBA guidelines. The VaR is considerably higher due to implementation of the updated VaR model, which takes into consideration all historical market movements since 2008 instead of only the four most recent years.

52-4 Interest rate BPV statistics Banking book

	2021		2020	
IN EUR THOUSANDS	Banking Book	Banking Book excluding Mismatch	Banking Book	Banking Book excluding Mismatch
Max[1]	(236)	131	(150)	228
Average	(105)	17	(60)	96
Min [2]	4	0	(34)	12
YEAR-END	**(236)**	**(90)**	**(67)**	**66**

53 Market risk

NIBC defines market risk as:

- the risk of losses in the Trading book arising from adverse movements in market rates and;
- the risk of losses in the Banking Book from NIBC's credit spread risk position;
- the risk of losses in both the banking and trading book from adverse movements in currencies with respect to the Euro.

The predominant market risk drivers for NIBC are interest rate risk and credit spread risk . In Money Markets & Trading, NIBC takes short-term positions in the EUR, GBP and USD yield curves. This book also contains interest rate risk related to derivative transactions of NIBC's clients.

Risk appetite

The risk appetite for market risk is moderate. For all market risk types limits are set and monitored on a daily basis.

Risk monitoring and measurement

From an economic value perspective the impact of an instantaneous shift in interest rates on a static portfolio is considered. Interest BPV and interest VaR is calculated and monitored on a daily basis by Market Risk Management, while credit spread BPV and credit spread VaR are calculated and monitored on a weekly basis. VaR is calculated using daily historical data and a confidence level of 99%. The model was updated in October 2021 to include all historical data starting 2008 (the previous VaR calculation was based on the most recent four years of historical data).
The market risk analysis is complemented by a set of scenarios, including scenarios intended as stress testing and vulnerability identification, both based on historical events and on possible future events. Limits are set on the above measures. The limits and utilisation are reported to the ALCO once every month. Any major breach of market risk limits is reported to the CRO immediately.

Interest rate risk, credit spread risk and equity risk

Money Markets & Trading contains plain vanilla interest rate derivatives only. Figures per year-end 2021 versus 2020 are displayed below.

53-1 Interest rate statistics Trading book NIBC

	2021		2020	
IN EUR THOUSANDS	Interest rate BPV	Interest rate VaR	Interest rate BPV	Interest rate VaR
Max[1]	(59)	481	(20)	150
Average	(3)	111	(2)	76
Min [2]	0	45	0	52
YEAR-END	(27)	155	10	52

NIBC's Banking book has credit spread risk mainly in the Liquidity portfolio, Collateral portfolio, the Structured Credits portfolio and the fair value mortgages portfolio. Year-end 2021 credit spread risk figures versus 2020 are displayed below.

53-2 Credit spread risk statistics Banking book

	2021		2020	
IN EUR THOUSANDS	Credit spread BPV	Credit spread VaR	Credit spread BPV	Credit spread VaR
Liquidity / Collateral	(184)	3,396	(187)	2,191
Structured Credits	(17)	1,712	(17)	786

Currency risk

NIBC manages its overall currency position based on the currency positions in the monthly balance sheets. The material exposures in foreign currencies for NIBC are USD and GBP. NIBC uses matched funding and other measures to apply its policy of not taking any currency positions. Any currency position which does show at month end is caused by movements in the fair value of assets or liabilities or interest income in foreign currencies and is hedged by entering into FX spot transactions. The total open foreign currency position, by nominal amount, was EUR 9.1 million at year-end 2021. This currency position is the position prior to hedging, which is always done shortly after month-end. Regulatory capital for currency risk is equal to EUR 0.3 million per year-end 2021.

Furthermore, the impact of a reasonably possible yearly change (in absolute terms) of EUR against other currencies was calculated. Per year-end 2021 the sum of the absolute values of the impact for all currencies is equal to around EUR 0.6 million for NIBC.

54 Liquidity risk

NIBC defines liquidity risk as the inability of NIBC to fund its assets and meet its obligations as they become due, at acceptable cost.

Maintaining a sound liquidity and funding profile is one of NIBC's most important risk management objectives. NIBC analyses its funding profile by mapping all assets and liabilities into time buckets that correspond to their maturities. Based on projections prepared by the business units and reviewed by Risk Management, and the current asset and liability maturity profiles, several liquidity stress tests are prepared and presented once every two weeks to the ALCO, in order to create continuous monitoring of the liquidity position.

Assumptions

One of the stress scenarios, the market-wide stress test, assumes a world-wide liquidity shortage in which no new market funding can be attracted by NIBC. Furthermore, it is assumed that assets cannot be sold, but that they can only be made liquid by making them eligible for collateralised and ECB funding. In addition, the following assumptions are made:

- In order to maintain NIBC's business franchise, it is assumed that new corporate loan production continues at a level where the current books are maintained constant;
- Conservative assumptions with respect to for example collateral cash outflows (payments from CSAs) and drawdowns of undrawn commitments are made;
- A one notch downgrade is assumed.

The projection of NIBC's liquidity in this way is necessarily a subjective process and requires management to make assumptions about, for example, the fair value of eligible collateral and potential outflow of cash collateral placed by NIBC with derivative counterparties.

In light of these projections, NIBC is confident that sufficient liquidity is available to meet maturing obligations over the next 12 months.

Maturity calendar consolidated balance sheet

The following tables present the cash flows payable by NIBC in respect of non-derivative financial liabilities relevant for liquidity risk by the remaining contractual maturities at 31 December. The amounts disclosed in the tables for the non-derivative financial liabilities are contractual future undiscounted cash flows. Financial liabilities at FVtPL are therefore restated to future nominal amounts. The financial assets relevant for managing liquidity risk are based on the fair value (discounted cash flows) for those assets which are classified at FVOCI.

The differences between the table and the stress scenario are caused mainly by the following items that are included in the stress scenario analysis but not in the maturity calendar of the consolidated balance sheet:

- New asset production;
- Collateralised funding capacity of internal securitisations and individual bonds;
- Conservative assumptions with respect to possible cash outflows (e.g. CSA collateral, callable funding).

54.1 Liquidity maturity calendar, 31 December 2021

in EUR millions	Not dated	Payable on demand	Due within three months	Due between three and twelve months	Due between one and five years	Due after five years	Total
Liabilities (undiscounted future cash flows)							
Due to other banks	-	44	673	70	562	-	1,349
Deposits from customers	-	7,593	1,103	1,121	1,274	95	11,187
Financial liabilities at fair value through profit or loss (including trading)							
Debt securities in issue structured	-	-	-	3	37	40	80
Deferred tax	-	-	-	-	4	-	4
Provisions	-	-	-	-	-	(2)	(2)
Accruals, deferred income and other liabilities	-	-	-	98	-	-	98
Financial liabilities at amortised cost							
Own debt securities in issue	-	-	687	520	3,261	3,100	7,568
Debt securities in issue related to securitised mortgages and lease receivables	-	-	-	-	-	267	267
Subordinated liabilities							
Fair value through profit or loss	-	-	-	-	-	246	246
Amortised cost	-	-	-	-	50	11	61
Total liabilities (excluding derivatives and interest cash flows	**-**	**7,637**	**2,463**	**1,812**	**5,188**	**3,757**	**20,859**
Total assets relevant for managing liquidity risk at fair value (excluding derivatives and interest cash flows)	**547**	**2,388**	**903**	**758**	**4,825**	**12,898**	**22,319**

54.2 Liquidity maturity calendar, 31 December 2020

in EUR millions	Not dated	Payable on demand	Due within three months	Due between three and twelve months	Due between one and five years	Due after five years	Total
Liabilities (undiscounted future cash flows)							
Due to other banks	-	137	1,116	34	316	-	1,604
Deposits from customers	-	7,058	1,007	1,526	1,304	111	11,005
Financial liabilities at fair value through profit or loss (including trading)							
Debt securities in issue structured	-	-	25	-	40	40	105
Deferred tax	-	-	-	-	6	-	6
Provisions	-	-	-	-	-	2	2
Accruals, deferred income and other liabilities	-	-	-	71	-	-	71
Financial liabilities at amortised cost							
Own debt securities in issue	-	-	648	105	3,043	2,573	6,370
Debt securities in issue related to securitised mortgages and lease receivables	-	-	-	-	-	327	327
Subordinated liabilities							
Fair value through profit or loss	-	-	-	-	-	290	290
Amortised cost	-	-	-	-	50	61	111
Total liabilities (excluding derivatives and interest cash flows	**-**	**7,196**	**2,795**	**1,737**	**4,759**	**3,403**	**19,889**
Total assets relevant for managing liquidity risk at fair value (excluding derivatives and interest cash flows)	**619**	**2,458**	**517**	**1,117**	**5,682**	**11,522**	**21,915**

54.3 Liquidity maturity calendar of derivatives, 31 December 2021

Liquidity maturity calendar derivatives

The following tables present the derivative financial instruments that will be settled on a net basis into relevant maturity classes based on the contractual maturity date at 31 December 2021 and 2020. The amounts disclosed in the tables are the contractual undiscounted cash flows.

in EUR millions	Less than three months	Between three months and one year	One to five years	Five years or more	Total
Derivatives held for trading					
Interest rate derivatives (net settled)					
Inflow	337	578	1,061	383	2,359
Outflow	(305)	(293)	(814)	(239)	(1,650)
Credit derivatives					
Inflow	-	-	0	0	1
Outflow	-	-	-	-	-
Derivatives used for hedging					
Interest rate derivatives (net settled)					
Inflow	0	2	38	-	39
Outflow	-	-	(0)	(43)	(43)
FX forwards					
Inflow	473	-	-	-	473
Outflow	(474)	-	-	-	(474)
Total inflow	**810**	**579**	**1,099**	**384**	**2,872**
Total outflow	**(779)**	**(293)**	**(814)**	**(282)**	**(2,167)**

54.4 Liquidity maturity calendar of derivatives, 31 December 2020

in EUR millions	Less than three months	Between three months and one year	One to five years	Five years or more	Total
Derivatives held for trading					
Interest rate derivatives (net settled)					
Inflow	507	592	1,494	384	2,977
Outflow	(528)	(574)	(1,442)	(448)	(2,992)
Credit derivatives					
Inflow	-	-	-	1	1
Outflow	-	-	-	-	-
Derivatives used for hedging					
Interest rate derivatives (net settled)					
Inflow	13	38	39	-	90
Outflow	(13)	(34)	(46)	(1)	(94)
FX forwards					
Inflow	246	1	-	-	247
Outflow	(250)	(1)	-	-	(251)
Total inflow	**766**	**631**	**1,533**	**385**	**3,315**
Total outflow	**(791)**	**(609)**	**(1,488)**	**(449)**	**(3,337)**

54.5 Liquidity maturity calendar off-balance sheet, 31 December 2021

Liquidity maturity calendar off-balance sheet
The following table shows the contractual maturity of NIBC's contingent liabilities and commitments.

Each undrawn loan or capital commitment is included in the time band containing the earliest date it can be drawn down.

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

in EUR millions	Less than three months	Between three months and one year	One to five years	Five years or more	Total
Contract amount					
Committed facilities with respect to corporate loan financing	1,584	-	-	-	1,584
Committed facilities with respect to residential mortgages financing	598	-	-	-	598
Capital commitments	22	-	-	-	22
Guarantees granted	26	-	-	-	26
Irrevocable letters of credit	39	-	-	-	39
	2,269	**-**	**-**	**-**	**2,269**

54.6 Liquidity maturity calendar off-balance sheet, 31 December 2020

in EUR millions	Less than three months	Between three months and one year	One to five years	Five years or more	Total
Contract amount					
Committed facilities with respect to corporate loan financing	1,319	-	-	-	1,319
Committed facilities with respect to residential mortgages financing	443	-	-	-	443
Capital commitments	25	-	-	-	25
Guarantees granted	23	-	-	-	23
Irrevocable letters of credit	48	-	-	-	48
	1,858	**-**	**-**	**-**	**1,858**

55 Capital management

Overview
It is NIBC's policy to maintain a strong capital base, to meet RC requirements at all times and to support the development of its business by allocating capital efficiently. Allocation of capital to the business is based on an EC approach. EC is the amount of capital which NIBC allocates as a buffer against potential losses from business activities, based upon its assessment of risks. The EC that NIBC allocates to each business is based on the assessment of risk of its activities. It differs from the

CRR/CRD IV capital requirements, i.e. RC, as in certain cases NIBC assesses the specific risk characteristics of its business activities in a different way than the CRR/CRD IV method. Total RC however, in combination with a minimum benchmark Tier 1 ratio, does form a limit to the maximum amount of EC that can be allocated to the business.

Comparing the risk-based EC of each business to its profit delivers a RAROC for each business. EC and RAROC are key tools in NIBC's capital allocation and usage process, assisting in allocating Own Funds as efficiently as possible, based on expectations of both risks and return. Usage of EC is assessed once every two weeks in the ALCO. The ALCO resets the maximum allocation level of EC to and within each business, taking into account business expectations, NIBC's desired risk profile and the regulatory requirements.

Methodology
NIBC uses the business model of each activity as the basis for determining the EC. If the business model of an activity is trading, distribution or investing for a limited period, a market risk approach based upon VaR and scaled to a one-year horizon is used to calculate the EC usage. A business model based on 'buy-to-hold' or investing to maturity leads to a credit risk approach being applied, based upon estimations of PD and LGD. Add-ons for operational risk and country risk are also calculated. Furthermore, NIBC allocates EC for business risk, reputation risk and model risk on a group-wide level.

The EC approach differs from the CRR/CRD IV approach in which only the trading books are assigned a market risk approach. In the CRR/CRD IV framework, activities that are not trading but have a business model based on distribution or investment for a limited period are often assigned a credit risk approach, following CRR/CRD IV regulations or regulatory industry practice, whereas in the EC framework NIBC applies a market risk approach similar to that of the trading activities. Risks and EC are monitored accordingly.

The main differences between the EC capital and CRR/CRD IV framework come from the Mortgage Loan portfolio, the Securitisations portfolio and NIBC's interest rate mismatch position. EC is determined by a market risk approach for these activities. The CRR/CRD IV approach is either a credit risk approach (mortgage loans and securitisations) or is not part of the CRR/CRD IV Pillar 1 at all (mismatch position).

Capital allocation
NIBC allocates EC to all its business activities in the form of limits set by the ALCO and calculates the amount of EC usage of each business based on the risk of its activities:

- For the Corporate Loan portfolio, NIBC calculates EC usage by means of a credit risk approach largely based upon the CRR RC formula and an add-on for concentration risk;
- For the Debt Investments and Trading portfolios, the Mortgage Loan portfolio and the interest rate mismatch position, NIBC uses a market risk approach to determine EC usage. EC usage for these portfolios is calculated using VaR, calculated with four years of historical data and scaled to a one-year horizon;
- For the Investment loans, NIBC calculates EC usage by applying a credit approach based upon the CRR RC formula. NIBC uses fixed percentages for the equity investments.

CRR/CRD IV regulatory capital
The objective of CRR/CRD IV is to enhance the capital adequacy of the banking industry by making it more responsive to risk. CRR/CRD IV is structured on three pillars:

- Pillar 1 describes the capital adequacy requirements for three risk types; credit risk, market risk and operational risk;
- Pillar 2 describes the additional *Supervisory Review and Evaluation Process* (**SREP**), where regulators analyse the *Internal Capital Adequacy Assessment Process* (**ICAAP**) of the individual banks. Since the end of 2011, Dutch Central Bank also analyses the *Internal Liquidity Adequacy Assessment Process* (**ILAAP**);
- In Pillar 3 the required risk reporting standards are displayed, supporting additional market discipline in the international capital markets.

Under CRR/CRD IV and subject to approval from the regulator, banks have the option to choose between various approaches, each with a different level of sophistication in risk management, ranging from ‘standardised’ to ‘advanced’.

For credit risk, NIBC adopted the AIRB approach as further specified in CRR/CRD IV for its corporate, retail and institutional exposure classes. NIBC started using the AIRB approach at 1 January 2008. The residue of exposures is measured on the standardised approach.

For market risk, NIBC adopted an internal model VaR approach.

For measuring operational risk, NIBC adopted the standardised approach, which is based on prescribed business-line activities.

The basis for Pillar 2 is NIBC’s ICAAP, which is NIBC’s self-assessment of risks not captured by Pillar 1, i.e. the link between NIBC's risk profile, its risk management and risk mitigation, and NIBC's capital planning.

Under Pillar 3, NIBC publishes its regulatory disclosures regarding its capital structure, capital adequacy, liquidity risk, risk management objectives/policies and RWAs each year. The Pillar 3 disclosures are published on the same date as the Annual Report on our website.

The following table displays the composition of RC as at 31 December 2021 and 31 December 2020. As from 2019, non-eligible profits attributable to the shareholders are no longer added to RC. The RC is based on the CRR/CRDIV scope of consolidation, calculated for NIBC consolidated on a fully loaded base including the eligible profit after tax of the year. For 2021 no profit after tax is included in the Common Equity Tier 1 (2020: no profit after tax is included in the Common Equity Tier 1). NIBC complies with the CRR/CRDIV capital requirements as per 31 December 2021, which formally requires a minimum Common Equity Tier 1 ratio (including capital buffer) of 9.2%, a minimum Tier 1 ratio (including capital buffer) of 11.4% and a minimum Total Capital ratio (including capital buffer) of 14.4%.

in EUR millions	2021	2020
Tier 1		
Called-up share capital	80	80
Share premium	237	237
Eligible reserves	1,576	1,485
Profit after tax not included in CET 1 capital	(178)	(49)
Regulatory adjustments	(85)	(122)
Common equity Tier 1 capital	**1,630**	**1,631**
Additional Tier 1 capital	200	200
Total Tier 1 capital	**1,830**	**1,831**
Tier 2		
Qualifying subordinated liabilities	85	90
Regulatory adjustments	12	22
Total Tier 2 capital	**97**	**111**
Total BIS capital	**1,928**	**1,942**

COMPANY FINANCIAL STATEMENTS

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COMPANY INCOME STATEMENT

for the years ended 31 December

in EUR millions	note	2021	2020
Interest and similar income	1	432	445
Interest expense and similar charges	1	198	201
Net interest income		**234**	**245**
Fee income	2	33	28
Fee expense	2	-	-
Net fee income		**33**	**28**
Income from investments	14	31	6
Income from interests in group companies	16	159	98
Income from group companies and (other) equity investments		**190**	**104**
Results from financial transactions	3	5	(26)
Total operating income		**462**	**351**
Personnel expenses	4	111	91
Depreciation and amortisation	5	4	4
Other operating expenses	6	99	83
Credit loss expense / (recovery)	7	40	129
Regulatory charges and levies	8	20	15
Total operating expenses		**274**	**322**
Profit from ordinary operations before tax		**188**	**29**
Tax	9	(1)	(32)
Profit after tax		**190**	**61**

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the years ended 31 December in EUR millions	2021	2020
Profit for the year	**190**	**61**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Revaluation of property and equipment	1	(1)
Revaluation of own credit risk reserve	(34)	2
Items that may be reclassified subsequently to profit or loss		
Net result on hedging instruments	(4)	(3)
Financial assets measured at fair value through other comprehensive income		
Movement in revaluation for debt investments at FVOCI	(2)	-
Income tax effect on net current period change	(1)	-
Total other comprehensive income	**(39)**	**(2)**
Total comprehensive income	**151**	**59**
Total comprehensive income attributable to		
Shareholder of the company	139	47
Holders of capital securities	12	12
Total comprehensive income	**151**	**59**

COMPANY BALANCE SHEET

before profit appropriation, as at 31 December

in EUR millions	note	2021	2020
Assets			
Cash and balances with central banks	10	1,793	1,909
Due from other banks	11	273	225
Interest-bearing securities	12	924	977
Loans and advances to customers	13	22,466	18,897
Equity investments	14	57	33
Derivative financial instruments	15	633	792
Interests in group companies	16	1,382	1,221
Investment property	17	15	14
Property and equipment	18	21	24
Other assets	19	31	46
Total assets		**27,595**	**24,138**
Liabilities and equity			
Due to other banks	20	702	1,002
Customer deposits and other fund on deposit	21	16,539	14,534
Debt securities in issue	22	7,800	6,125
Derivative financial instruments	15	195	138
Provisions	23	10	11
Other liabilities	24	58	47
Subordinated liabilities	25	263	278
Total liabilities		**25,567**	**22,135**
Equity			
Share capital	26	80	80
Share premium	26	238	238
Revaluation reserves	26	79	118
Retained earnings	26	1,241	1,306
Profit after tax for the year	26	190	61
Equity attributable to shareholder of the company		**1,828**	**1,803**
Capital securities	27	200	200
Total parent equity		**2,028**	**2,003**
Total liabilities and equity		**27,595**	**24,138**
Contingent liabilities	28	58	66
Irrevocable liabilities	28	1,599	1,335

COMPANY STATEMENT OF CHANGES IN EQUITY

in EUR millions	Share capital	Share premium	Revaluation reserves	Retained earnings including net profit	Equity of the parent company	Capital securities	Total equity
	Attributable to						
Balance at 1 January 2021	**80**	**238**	**118**	**1,367**	**1,803**	**200**	**2,003**
Net profit for the year	-	-	-	178	178	12	190
Total comprehensive income for the period ended 31 December 2021	-	-	(39)	-	(39)	-	(39)
Transfer of realised depreciation revalued property and equipment	-	-	-	1	1	-	1
Distributions:							
Paid coupon on capital securities	-	-	-	-	-	(12)	(12)
Dividend paid during the year	-	-	-	(115)	(115)	-	(115)
Balance at 31 December 2021	**80**	**238**	**79**	**1,431**	**1,828**	**200**	**2,028**

in EUR millions	Share capital	Share premium	Revaluation reserves	Retained earnings including net profit	Equity of the parent company	Capital securities	Total equity
	Attributable to						
Balance at 1 January 2020	**80**	**238**	**120**	**1,427**	**1,865**	**200**	**2,065**
Net profit for the year	-	-	-	49	49	12	61
Total comprehensive income for the period ended 31 December 2020	-	-	(2)	-	(2)	-	(2)
Distributions:							
Paid coupon on capital securities	-	-	-	-	-	(12)	(12)
Dividend paid during the year	-	-	-	(109)	(109)	-	(109)
Balance at 31 December 2020	**80**	**238**	**118**	**1,367**	**1,803**	**200**	**2,003**

in EUR millions	2021	2020
Equity	1,828	1,803
Share capital	(80)	(80)
Legal reserves		
Within retained earnings	(21)	(11)
Revaluation reserves	(24)	(29)
Legal reserves profit participation	-	-
Total legal reserves	**(45)**	**(40)**
Total available distributable amount	**1,703**	**1,683**

COMPANY ACCOUNTING POLICIES

Basis of preparation

The principal accounting policies applied in the preparation of the company financial statements are set out in the consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

The company financial statements have been prepared in accordance with the legal requirements for financial statements contained in Title 9 of Book 2 of the Netherlands Civil Code. NIBC applies the provisions in Section 362, paragraph 8, Title 9 of Book 2 of the Netherlands Civil Code that make it possible to prepare the company financial statements in accordance with the accounting policies (including those for the presentation of financial instruments as equity or liability) used in its consolidated financial statements.

The company financial statements are presented in euros rounded to the nearest million. The euro is the functional and presentation currency of NIBC .

Summary of significant accounting policies

Except as set forth below, the accounting policies applied in the company financial statements are the same as those for the consolidated financial statements.

Interests in group companies

Interests in group companies, as defined in the Subsidiaries section in the basis of consolidation in the notes to the consolidated financial statements, are measured at net asset value. Net asset value is determined by measuring the assets, provisions, liabilities and income based on the accounting policies used in the consolidated financial statements. The company's share of its group companies profits or losses is recognised in the income statement. The bank applies paragraph 107a of the Dutch Accounting Standard 100. Under this paragraph the bank eliminates the expected credit losses on loans to subsidiaries in the same line item.

If losses of group companies that are attributable to the company exceed the carrying amount of the interest in the group company (including separately presented goodwill, if any, and including other unsecured receivables), further losses are not recognised unless the company has incurred obligations or made payments on behalf of the group company to satisfy obligations of the group company. In such a situation, NIBC recognises a provision up to the extent of its obligation.

Neither IFRS 3 Business Combinations nor any other IFRS require or prohibit the application of a specific approach for transactions under common control. By absence thereof NIBC defines its own accounting policy for transactions under common control. From now on the predecessor value method (carry-over accounting) for legal mergers within NIBC or the group will be consistently applied.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For a specification of segment information, please see note 1 of the consolidated financial statements.

1 Net interest income

Interest income consists of interest income on loans and advances to customers, interest-bearing securities and other interest and similar income.

Interest expense consists of interest expense on liabilities, whether or not embodied in debt securities, and derivatives, as well as commissions having an interest nature, penalty interest on early redemptions, premiums and discounts. Premiums and discounts on debts, whether or not embodied in debt securities, not stated at fair value are recognised using the effective interest method, together with the relevant interest expense.

in EUR millions	2021	2020
Interest and similar income		
Interest income from financial instruments measured at amortised cost and fair value through other comprehensive income	423	428
Interest income from financial instruments measured at fair value through profit or loss	9	18
	432	**445**
Interest expense and similar charges		
Interest expense from financial instruments measured at amortised cost	194	195
Interest expense from financial instruments measured at fair value through profit or loss	4	6
	198	**201**
	234	**245**

Interest income from debt and other fixed-income instruments at fair value through profit or loss is recognised in interest and similar income at the effective interest rate.

2 Net fee income

in EUR millions	2021	2020
Fee income of major service lines		
Investment management	4	5
Lending related fees	6	7
M&A fees	2	2
Originate-to-Manage loans	22	14
	33	**28**

3 Results from financial transactions

This item relates to gains and losses and fair value movements from financial transactions, other than related to financial fixed assets and neither related to interest income and similar income.

in EUR millions	2021	2020
Debt securities (designated at fair value through profit or loss)	3	1
Debt investments (fair value through profit or loss)	2	(9)
Loans (fair value through profit or loss)	3	(11)
Assets and liabilities held for trading	(3)	2
Cross currency swaps	(0)	(2)
Interest rate Instruments (derivatives)	1	(9)
Foreign exchange	(2)	2
Fair value hedges of interest rate risk	6	(4)
Cash flow hedges of interest rate risk	1	(1)
Other net trading income	0	1
Net gains or (losses) on derecognition of financial assets measured at amortised cost	(7)	3
Other gains less losses	0	(1)
	5	**(26)**

4 Personnel expenses

in EUR millions	2021	2020
Salaries	69	62
Severance payments	12	5
Variable compensation		
Cash bonuses	2	1
Share-based and deferred bonuses including expenses relating to previous years' grants	2	1
One-off transaction bonus	-	2
One-off retention package	6	-
Pension and other post-retirement charges		
Defined-contribution plan	14	14
Other post-retirement charges/(releases) including own contributions of employees	(2)	(2)
Social security charges	7	7
Other staff expenses	1	-
	111	**91**

The number of FTEs decreased from 664 at 31 December 2020 to 637 at 31 December 2021. The average number of FTEs decreased from 658 in 2020 to 641 in 2021. The number of FTEs outside of the Netherlands decreased from 92 at 31 December 2020 to 75 at 31 December 2021.

5 Depreciation and amortisation

in EUR millions	2021	2020
Property and equipment	4	4
	4	**4**

6 Other operating expenses

in EUR millions	2021	2020
Other operating expenses		
Building, housing and services expenses	5	4
Car, travel and accommodation expenses	1	1
Project expenses and consultants	23	18
Control and supervision	4	4
Marketing expenses	3	2
General employee expenses	4	2
ICT expenses	25	24
Communication expenses	1	1
Data expenses	5	4
Process outsourcing	22	20
Other general expenses	3	(1)
Expense related to leases of low-value assets	1	1
Fees of auditors	3	3
	99	**83**

Fees of auditors 2021

in EUR thousands	External auditor	Other network	Other audit firms	Total
Fees of the external independent auditors can be categorised as follows				
Audit of financial statements	2,422	25	4	2,452
Other audit-related services	311	-	30	340
Other non-audit related services	9	-	1	10
Tax services	-	-	29	29
	2,742	**25**	**64**	**2,831**

Fees of auditors 2020

in EUR thousands	External auditor	Other network	Other audit firms	Total
Fees of the external independent auditors can be categorised as follows				
Audit of financial statements	2,304	28	32	2,363
Other audit-related services	398	-	18	415
Other non-audit related services	-	-	30	30
Tax services	-	-	48	48
	2,702	**28**	**127**	**2,857**

The fees listed above relate to the procedures applied to NIBC and its consolidated group entities by accounting firms and external independent auditors as referred to in Section 1(1) of the Dutch Audit Firms Supervision Act (Dutch acronym: Wta), as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

These fees relate to the audit of the 2021 and 2020 annual reports, regardless of whether the work was performed during the financial year.

7 Credit loss expense / (recovery)

This item relates to credit loss expense / (recovery) of loans and advances to customers and banks, interest-bearing securities classified at amortised cost or at fair value through other comprehensive income. In addition it is also related to expected credit losses of off-balance sheet commitments.

Financial assets

in EUR millions	2,021	2020
Credit loss expense		
Loans and advances to customers		
Loans classified at amortised cost	40	127
Mortgage loans own book classified at amortised cost	(0)	-
Interest-bearing interests		
Debt investments classified at fair value through other comprehensive income	(1)	1
Non-financial assets		
Non-financial assets classified at amortised cost	-	1
	40	**129**
	40	**129**

8 Regulatory charges and levies

in EUR millions	2021	2020
Resolution levy	5	5
Deposit Guarantee Scheme	15	10
	20	**15**

9 Tax

in EUR millions	2021	2020
Current tax	5	(30)
Deferred tax	(6)	(2)
	(1)	**(32)**

10 Cash and balances with central banks

This item consists of balances with De Nederlandsche Bank N.V. (the Dutch Central Bank) as well as balances with foreign central banks in countries where NIBC operates.

in EUR millions	2021	2020
Cash and balances with central banks	1,793	1,909
	1,793	**1,909**
Cash and balances with central banks can be categorised as follows		
Receivable on demand	1,624	1,747
Not receivable on demand	169	162
	1,793	**1,909**
Legal maturity analysis of cash and balances with central banks not receivable on demand		
Three months or less	-	-
Longer than three months but not longer than one year	-	8
Longer than one year but not longer than five years	-	-
Longer than five years	-	-
Assets with central banks due to mandatory reserve deposits	169	154
	169	**162**

Balances held with central banks are interest-bearing.

The fair value of this balance sheet item does not materially differ from its face value, due to the short-term nature.

11 Due from other banks

This item represents loans and advances to other banks, other than in the form of interest-bearing securities.

in EUR millions	2021	2020
Current accounts with other banks	64	103
Deposits with other banks	209	120
Due from group companies	-	2
	273	**225**
Due from other banks can be categorised as follows		
Receivable on demand	64	105
Cash collateral placements posted under CSA agreements	209	120
	273	**225**

There were no subordinated loans outstanding due from other banks in 2021 and 2020.

The fair value of this balance sheet item does not materially differ from its face value due to the short-term nature of the underlying assets and the credit quality of the counterparties.

No credit losses were recognised in 2021 and 2020 on the amounts due from other banks at AC.

12 Interest-bearing securities

The following table displays the IFRS accounting classification of interest-bearing securities.

in EUR millions	2021	2020
Amortised cost	25	22
Fair value through other comprehensive income	852	886
Fair value through profit or loss	47	69
	924	**977**

All interest-bearing securities are non-government, except for EUR 22 million, and are issued by third parties.

in EUR millions	2021	2020
Interest-bearing securities analysed by listing		
Listed	924	977
Unlisted	-	-
	924	**977**
Legal maturity analysis of interest-bearing securities		
Three months or less	22	91
Longer than three months but not longer than one year	89	76
Longer than one year but not longer than five years	672	706
Longer than five years	142	104
	924	**977**
Movement schedule of interest-bearing securities		
Balance at 1 January	**977**	**1,164**
Additions	289	371
Disposals	(346)	(555)
Gains/(losses) from changes in fair value recognised in the income statement	2	2
Other (including exchange rate differences)	2	(4)
Balance at 31 December	**924**	**977**

There were no subordinated loans outstanding in interest-bearing securities in 2021 and 2020.

As at 31 December 2021, interest-bearing securities from group companies amounted to nil (2020: nil).

13 Loans and advances to customers

This item consists of loans and advances arising in the course of business operations, other than receivables from banks and interest-bearing securities.

in EUR millions	2021	2020
Amortised cost	5,305	5,742
Fair value through profit or loss	127	116
Group companies - amortised cost	17,033	13,038
	22,466	**18,897**
Legal maturity analysis of loans		
Three months or less	16,782	12,755
Longer than three months but not longer than one year	602	917
Longer than one year but not longer than five years	3,921	3,906
Longer than five years	1,161	1,318
	22,466	**18,897**
Movement schedule of loans		
Balance at 1 January	**18,897**	**18,764**
Additions	5,700	2,639
Disposals	(2,137)	(2,365)
Other (including exchange rate differences)	6	(142)
Balance at 31 December	**22,466**	**18,897**
Movement schedule of credit loss allowances on loans		
Balance at 1 January	**165**	**110**
Additional allowances	53	130
Write-offs / disposals	(23)	(108)
Amounts released	(5)	(4)
Unwinding of discount adjustment	(4)	(1)
Other (including exchange rate differences)	14	38
Balance at 31 December	**199**	**165**

The total amount of subordinated loans in this item amounted to EUR 38 million in 2021 (2020: EUR 46 million).

As a policy, NIBC does not provide loans to its key management personnel (see note 32).

14 Equity investments

in EUR millions	2021	2020
Fair value through profit or loss	57	33
	57	**33**
Movement schedule of equity investments		
Balance at 1 January	**33**	**29**
Additions	9	-
Disposals (sales and/or capital repayments)	(16)	(1)
Changes in fair value through income statement	31	5
Balance at 31 December	**57**	**33**

The traded equity investments have a maturity shorter than twelve months and the other equity investments longer than twelve months.

15 Derivative financial instruments

in EUR millions	2021	2020
Derivative financial assets		
Derivative financial assets used for hedge accounting	2	4
Derivative financial assets - other	631	788
	633	**792**
Derivative financial assets can be broken down as follows		
Derivative with third parties	334	494
Derivative with group companies	299	299
	633	**792**
Derivative financial liabilities		
Derivative financial liabilities used for hedge accounting	1	3
Derivative financial liabilities - other	193	135
	195	**138**
Derivative financial liabilities can be broken down as follows		
Derivative with third parties	142	78
Derivative with group companies	52	60
	195	**138**

Derivative financial assets and liabilities used for hedge accounting are derivatives designated in hedge accounting relationships as defined in IAS 39. The derivative financial assets and liabilities in the category 'other' are classified as held for trading.

Derivative financial assets used for hedge accounting are products that are settled to market.

The derivatives consist of:

- Interest rate swaps to hedge the interest rate risk of the mortgage portfolio;
- Interest rate swaps to hedge to fair value interest rate risk of fixed rate funding;
- FX and cross-currency swaps to fund the non-euro loans to customers or to transform non-euro funding into euros;
- Client-driven derivative transactions;
- Limited money market trading.

Economically all these derivatives, with the exception of the money market trading and client-driving transactions, are used to hedge interest rate or FX risk. The money market trading is controlled by a relatively low Value at Risk (VaR) limit of EUR 2.25 million. For further details see note 53 Market risk of the consolidated financial statements.

Derivatives used for hedging are asigned in a hedge accounting relationship, which can be ineffective retrospectively. Sources of ineffectiveness are the behaviour of the curve shift, the volatility of the basis spread over the curve and the distribution of cash flows of assets and liabilities compared to the hedging derivatives.

Derivative financial instruments used for hedge accounting at 31 December 2021

in EUR millions	Notional amount with remaining life of: Less than three months	Between three months and one year	Between one and five years	More than five years	Total	Assets	Liabilities
Derivatives accounted for as fair value hedges of interest rate risk							
OTC products:							
Interest rate swaps	595	-	4,751	3,724	9,070	2	1
	595	**-**	**4,751**	**3,724**	**9,070**	**2**	**1**
Derivatives accounted for as cash flow hedges of interest rate risk							
OTC products:							
Interest rate swaps	95	-	95	-	190	-	-
	95	**-**	**95**	**-**	**190**	**-**	**-**
Total derivatives used for hedge accounting	**690**	**-**	**4,846**	**3,724**	**9,260**	**2**	**1**

Derivative financial instruments used for hedge accounting at 31 December 2020

in EUR millions	Notional amount with remaining life of: Less than three months	Between three months and one year	Between one and five years	More than five years	Total	Assets	Liabilities
Derivatives accounted for as fair value hedges of interest rate risk							
OTC products:							
Interest rate swaps	265	587	1,335	4,185	6,372	1	3
Interest currency rate swaps	-	-	17	-	17	3	-
	265	**587**	**1,352**	**4,185**	**6,388**	**4**	**3**
Derivatives accounted for as cash flow hedges of interest rate risk							
OTC products:							
Interest rate swaps	-	33	22	56	111	-	-
	-	**33**	**22**	**56**	**111**	**-**	**-**
Total derivatives used for hedge accounting	**265**	**620**	**1,374**	**4,240**	**6,500**	**4**	**3**

Derivative financial instruments- other at 31 December 2021

in EUR millions	Notional amount with remaining life of Less than three months	Between three months and one year	Between one and five years	More than five years	Total	Assets	Liabilities
Interest rate derivatives							
OTC products:							
Interest rate swaps	3,213	8,475	10,401	11,467	33,555	578	94
Interest rate options (purchase)	-	191	434	15	640	2	-
Interest rate options (sale)	-	136	424	5	565	-	2
	3,213	**8,802**	**11,258**	**11,487**	**34,760**	**580**	**96**
Derivatives accounted for as cash flow hedges of interest rate risk							
OTC products:							
Interest rate swaps	270	460	794	-	1,524	13	55
Currency/cross-currency swaps	125	-	-	-	125	0	1
	395	**460**	**794**	**-**	**1,649**	**14**	**57**
Other derivatives (including credit derivatives)							
OTC products:							
Credit default guarantees received	-	-	-	4	4	-	0
Other swaps	-	-	-	17	17	37	40
	-	**-**	**-**	**21**	**21**	**37**	**41**
Total derivatives - other	**3,608**	**9,262**	**12,052**	**11,508**	**36,430**	**631**	**193**

Derivative financial instruments- other at 31 December 2020

in EUR millions	Notional amount with remaining life of Less than three months	Between three months and one year	Between one and five years	More than five years	Total	Assets	Liabilities
Interest rate derivatives							
OTC products:							
Interest rate swaps	142	1,884	2,779	26,079	30,884	713	105
Interest rate options (purchase)	7	-	193	493	691	2	-
Interest rate options (sale)	-	90	153	450	694	-	1
	149	**1,974**	**3,125**	**27,022**	**32,269**	**715**	**106**
Derivatives accounted for as cash flow hedges of interest rate risk							
OTC products:							
Interest rate swaps	-	20	460	1,380	1,860	57	4
Currency/cross-currency swaps	154	-	-	-	154	1	5
	154	**20**	**460**	**1,380**	**2,014**	**58**	**9**
Other derivatives (including credit derivatives)							
OTC products:							
Credit default guarantees received	-	-	-	4	4	-	1
Other swaps	-	0	7	10	17	16	19
	-	**0**	**7**	**14**	**21**	**16**	**20**
Total derivatives - other	**302**	**1,995**	**3,592**	**28,416**	**34,303**	**788**	**135**

Fair value hedges of interest rate risk

The interest rate risk of financial assets with a fixed interest rate classified at available-for-sale or at amortised costs are hedged with interest rate swaps under which NIBC pays a fixed rate and receives floating rates. Fair value hedge accounting is applied to these hedge relationships.

Interest rate swaps under which NIBC pays a floating rate and receives a fixed rate are used in fair value hedges of fixed-interest rate liabilities (as far as not held for trading purposes or designated at fair value through profit or loss).

The following table discloses the fair value of the swaps designated in fair value hedging relationships:

in EUR millions	2021	2020
Fair value pay - fixed swaps (hedging assets) | assets	1	-
Fair value pay - fixed swaps (hedging assets) | liabilities	(1)	(3)
	(0)	**(3)**
Fair value pay - floating swaps (hedging liabilities) | assets	1	4
Fair value pay - floating swaps (hedging liabilities) | liabilities	(0)	-
	1	**4**

The average remaining maturity (within which the related cash flows are expected to enter into the determination of profit and loss) is six years (2020: six years).

16 Interests in group companies

in EUR millions	2021	2020
Interests in group companies	1,382	1,221
	1,382	**1,221**
Movement schedule of interests in group companies		
Balance at 1 January	**1,221**	**1,337**
Disposals	-	(223)
Revaluation	1	-
Results of group companies	159	98
Dividends received	-	10
Balance at 31 December	**1,382**	**1,221**

List of principal interests of NIBC	2021
Parnib Holding N.V., The Hague	100%
Counting House B.V., The Hague	100%
B.V. NIBC Mortgage Backed Assets, The Hague	100%
NIBC Principal Investments B.V., The Hague	100%
NIBC Financing N.V., The Hague	100%

17 Investment property

in EUR millions	2021	2020
Investment property	15	14
	15	**14**
Movement schedule of investment property		
Balance at 1 January	**14**	**14**
Reclassification from property and equipment	1	-
Additions	1	1
Changes in fair value	0	(1)
Balance at 31 December	**15**	**14**

18 Property and equipment

in EUR millions	2021	2020
Land and buildings	16	17
Other fixed assets	2	2
Right-of-use assets	3	5
	21	**24**
Movement schedule of land and buildings		
Balance at 1 January	**17**	**20**
Reclassification to investment property	(1)	-
Additions	0	-
Revaluation	1	-
Depreciation	(2)	(2)
Impairments	-	(1)
Balance at 31 December	**16**	**17**
Gross carrying amount	62	62
Accumulated depreciation	(46)	(44)
	16	**17**
Movement schedule of revaluation surplus		
Balance at 1 January	**9**	**9**
Revaluation	1	-
Depreciation	(1)	-
Balance at 31 December	**10**	**9**
Movement schedule of other fixed assets		
Balance at 1 January	**2**	**3**
Additions	1	-
Depreciation	(1)	(1)
Balance at 31 December	**2**	**2**
Gross carrying amount	29	28
Accumulated depreciation	(28)	(27)
	2	**2**

in EUR millions	2021	2020
Right-of-use assets[1]		
Rented offices	3	5
	3	**5**
Movement schedule of right-of-use asset: offices		
Balance at 1 January	**5**	**6**
Depreciation	(2)	(2)
Balance at 31 December	**3**	**5**

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

Buildings in use by NIBC and the investment property are insured for EUR 64 million (2020: EUR 93 million).

There is no property and equipment pledged as security for liabilities.

There were no contractual commitments for the acquisition of property and equipment at 31 December 2021 and 31 December 2020.

NIBC's land and buildings in own use were revalued as of 31 December 2021 based on an external appraisal (a valuation is carried out every 6 months).

The fair value of the property and equipment does not materially deviate from the carrying amount.

19 Other assets

This item relates to goods and warehouse receipts, current and deferred tax assets and assets that cannot be classified under any other heading.

in EUR millions	2021	2020
Current tax assets	0	-
Deferred tax assets	6	6
Accrued income and repayments	25	40
	31	**46**
Deferred tax assets	6	6
Deferred tax liabilities[1]	4	6
	3	**1**

1 Deferred tax liabilities are presented in note 23 Provisions.

in EUR millions	2021	2020
Deferred income tax assets, without taking into consideration the offsetting of balances within the same jurisdiction		
Property and equipment	2	2
Tax losses carried forward	4	4
	6	**6**
Deferred income tax liabilities, without taking into consideration the offsetting of balances within the same jurisdiction		
Debt investments	1	1
Cash flow hedges	3	4
	3	**5**
	3	**1**

in EUR millions	2021	2020
Gross movement on the deferred income tax account		
Balance at 1 January	**1**	**3**
Debt investments (reported at fair value through other comprehensive income)		
Fair value remeasurement charged/(credited) to revaluation reserve	1	-
Cash flow hedges		
Fair value remeasurement charged/(credited) to hedging reserve	1	-
Property and equipment (reported at fair value)		
Fair value remeasurement (charged)/credited to revaluation reserve	0	2
Tax losses carried forward	(0)	(4)
Balance at 31 December	**3**	**1**

The DTA is recognised to the extent that taxable profit will be available against which the temporary difference can be utilised.

The effective tax rate in the Netherlands for measuring deferred tax is 25.8% at year-end 2021 for tax losses carried forward. This change is due to the in 2021 enacted tax rate increase of the Dutch corporate income tax effective as per 2022 from 25% to 25.8%.

20 Due to other banks

This item represents amounts owed to credit institutions, other than debt securities and subordinated debt, of which:

in EUR millions	2021	2020
Due to other banks	154	312
Due to central banks	548	690
	702	**1,002**
Due to other banks		
Payable on demand	15	38
Note payable on demand	687	965
	702	**1,002**
Legal maturity analysis of due to other banks not payable on demand		
Three months or less	40	566
Longer than three months but not longer than one year	70	35
Longer than one year but not longer than five years	562	316
Longer than five years	15	48
	687	**965**

Interest is recognised in interest expense from financial instruments measured at AC on an effective interest basis.

At 31 December 2021, an amount of 40 EUR million (2020: EUR 123 million) related to cash collateral received from third parties.

According to management's best estimate achieving the conditions attached to the TLTRO-loans, NIBC considers the applicable interest rate on the outstanding TLTRO III loans to be comparable to rates on other secured funding instruments. Consequently, the drawings under the existing TLTRO-program are accounted for as financial instruments in line with IFRS 9.

As the original expected cash flows will remain unchanged there is no necessity to adjust the carrying amounts of the TLTRO-loans at 31 December 2021. The carrying amount of the TLTRO-loans (drawings under TLTRO III with a fixed interest coupon of minus 50 basis points), including the accrued interest receivable of EUR 2 million, is EUR 548 million at 31 December 2021 (2020: TLTRO II and III EUR 690 million). The TLTRO II loans matured in March 2021. The legal maturity date of the current TLTRO-loans lies between June 2023 (TLTRO III) and December 2024 (TLTRO III), although there is a voluntary redemption option starting one year after the settlement date of the respective TLTRO participation.

Interest payments will be settled in arrears. The collateral for the TLTRO-program consists of DNB eligible debt investments and securitised mortgage loans. The interest rate, which is fixed for the entire maturity of the TLTRO II, was set in June 2018 and was set in June 2020 for TLTRO III.

21 Customer deposits and other funds on deposit

This item consists of amounts due to customers other than debt securities in issue.

in EUR millions	2021	2020
Customer deposits and other funds on deposit	16,539	14,534
	16,539	**14,534**
Customer deposits and other funds on deposit		
Certificates of deposits	3,160	3,501
Due to customers	13,379	11,034
	16,539	**14,534**
Customer deposits and other funds on deposit		
Payable on demand	12,641	10,216
Not payable on demand	3,898	4,318
	16,539	**14,534**
Legal maturity analysis of deposits from customers and other funds on deposit		
Three months or less	13,746	11,225
Longer than three months but not longer than one year	1,121	1,527
Longer than one year but not longer than five years	1,280	1,201
Longer than five years	393	582
	16,539	**14,534**

Interest is recognised in interest expense and similar charges on an effective interest basis.

The balance sheet item included EUR 5,301 million (2020: EUR 3,514 million) in respect of deposits from customers to group companies.

The balance sheet item includes all non-subordinated liabilities other than debt securities and amounts owed to credit institutions.

22 Debt securities in issue

This item relates to non-subordinated bonds and other interest-bearing securities and fair value hedge accounting adjustments.

in EUR millions	2021	2020
Bonds and notes issued - amortised costs	7,654	5,922
Bonds and notes issued - through profit or loss	133	171
Fair value hedge adjustment on amortised cost bonds and notes issued	13	32
	7,800	**6,125**
Legal maturity analysis of debt securities in issue		
Three months or less	486	58
Longer than three months but not longer than one year	541	106
Longer than one year but not longer than five years	3,310	2,988
Longer than five years	3,464	2,972
	7,800	**6,125**

This item relates to non-subordinated bonds and other interest-bearing securities and fair value hedge accounting adjustments.

23 Provisions

in EUR millions	2021	2020
ECL allowances for off-balance sheet financial instruments	4	4
Restructuring provisions	-	-
Deferred tax liabilities[1]	4	6
Employee benefits	2	2
	10	**11**

1 Deferred tax assets and liabilities are disclosed in note 19 Other assets.

24 Other liabilities

This item includes liabilities that cannot be classified under any other heading, such as liabilities for staff costs and taxes.

in EUR millions	2021	2020
Lease liabitities	5	6
Accruals	20	20
Current tax liabilities	12	12
Payables	22	8
	58	**47**

25 Subordinated liabilities

in EUR millions	2021	2020
Amortised cost	67	113
Designated at fair value through profit or loss	196	165
	263	**278**
Legal maturity analysis of subordinated liabilities at amortised cost:		
Longer than one year but not longer than five years	52	51
Longer than five years but not longer than ten years	15	12
Longer than ten years	-	50
	67	**113**

Interest expense of EUR 3 million was recognised on subordinated liabilities at amortised cost during 2021 (2020: EUR 4 million).

The subordinated liabilities at amortised cost reflect two transactions (2020: three transactions), of which the largest two total EUR 67 million (2020 largest three: EUR 113 million).

Subordinated liabilities - designated at fair value through profit or loss

in EUR millions	2021	2020
Subordinated loans other	196	165
	196	**165**
Legal maturity analysis of subordinated liabilities designated at fair value through profit or loss:		
Longer than ten years	196	165
	196	**165**

The subordinated liabilities at fair value through profit or loss reflect five transactions (2020: five transactions), of which the largest three total EUR 138 million (2020 largest three: EUR 116 million).

Interest expense of EUR 5 million was recognised on subordinated liabilities (FVtPL) during 2021 (2020: EUR 6 million).

In 2021 and 2020, no gains or losses were realised on the repurchase of subordinated liabilities.

26 Equity

The parent company is NIBC Holding N.V., a company incorporated in the Netherlands (listed until 18 February 2021).

in EUR millions	2021	2020
Equity attributable to the shareholder		
Share capital	80	80
Share premium	238	238
Revaluation reserves		
Revaluation reserve - hedging instruments	9	13
Revaluation reserve - equity investments (FVOCI)	-	-
Revaluation reserve - debt investments	1	3
Revaluation reserve - property	14	13
Revaluation reserve - own credit risk	55	89
Retained earnings including net profit	1,431	1,367
	1,828	**1,803**

Share capital

The share capital is fully paid-up.

	2021	2020	2021	2020
	Numbers x 1,000		in EUR millions	
Authorised share capital	183,598	183,598	215	215
Unissued share capital	121,011	121,011	135	135
Issued share capital A shares	**62,587**	**62,587**	**80**	**80**
	Numbers x 1,000		in EUR millions	
The number and total amounts of authorised shares				
Class A ordinary shares	110,938	110,938	142	142
Class B, C, D, E1 and E3 preference shares	72,600	72,600	73	73
Class E4 preference shares	60	60	-	-
	183,598	**183,598**	**215**	**215**

in EUR	2021	2020
Classes and par values of authorised shares		
Class A ordinary shares	1.28	1.28
Class B, C, D, E1 and E3 preference shares	1.00	1.00
Class E4 preference shares	5.00	5.00

Share premium

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

Revaluation reserves

Revaluation reserve - hedging revaluation

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

Revaluation reserve - debt investments
This reserve comprises changes in fair value of debt investments (net of tax).

Revaluation reserve - property
This reserve comprises changes in fair value of land and buildings (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 earnings

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

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

Changes in share premium and revaluation reserves 2020

		Revaluation reserves				
in EUR millions	Share premium	Hedging revaluation	Debt investments	Property	Own credit risk	Total
Balance at 1 January 2021	**238**	**13**	**4**	**13**	**89**	**356**
Net result on hedging instruments		(4)				(4)
Revaluation/remeasurement (net of tax)			(2)	1	(34)	(34)
Total recognised directly through other comprehensive income in equity	**238**	**9**	**2**	**14**	**55**	**317**
Transfer to retained earnings						-
Balance at 31 December 2021	**238**	**9**	**2**	**14**	**55**	**317**

Changes in share premium and revaluation reserves 2019

		Revaluation reserves				
in EUR millions	Share premium	Hedging revaluation	Debt investments	Property	Own credit risk	Total
Balance at 1 January 2020	**238**	**16**	**3**	**14**	**87**	**358**
Net result on hedging instruments	-	(3)	-	-	-	(3)
Revaluation/remeasurement (net of tax)	-	-	1	(1)	2	2
Total recognised directly through other comprehensive income in equity	**238**	**13**	**4**	**13**	**89**	**356**
Transfer to retained earnings	-	-	-	-	-	-
Balance at 31 December 2020	**238**	**13**	**4**	**13**	**89**	**356**

Information on NIBC's solvency ratios is included in the Risk Management paragraph of this Annual Report.

Legal reserves

This concerns the reserve for unrealised fair value changes on certain non-listed trading assets related to these non-listed trading assets and on associates at fair value through profit or loss .

Available distributable amount as at 31 December (subject to DNB approval)

in EUR millions	2021	2020
Equity	1,828	1,803
Share capital	(80)	(80)
Legal reserves		
Within retained earnings	(21)	(11)
Revaluation reserves	(24)	(29)
Legal reserves profit participation	-	-
Total legal reserves	**(45)**	**(40)**
Total available distributable amount	**1,703**	**1,683**

27 Capital securities

For a specification of the capital securities, see note 42 of the consolidated financial statements.

28 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.

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	2021	2020
Contract amount		
Undrawn facilities and capital commitments	1,599	1,335
Guarantees and letters of credit	58	66
	1,657	**1,402**

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.

Details of concentrations of credit risk including concentrations of credit risk arising from commitments and contingent liabilities as well as NIBC's policies for collateral for loans are set out in note 46of the consolidated financial statements.

Guarantees within the meaning of Section 403 Title 9 of Book 2, of the Netherlands Civil Code have been given on behalf of De Nationale Maatschappij voor Industriële Financieringen B.V., Parnib Holding N.V. and B.V. NIBC Mortgage Backed Assets. A complete list of the companies on behalf of which NIBC has given guarantees within the meaning of Section 403 Title 9 of Book 2, of the Netherlands Civil Code has been filed with the Chamber of Commerce in The Hague.

29 Other

NIBC is, together with other group companies and participating interests, a member of one fiscal entity NIBC Holding N.V. Besides NIBC Bank N.V. and NIBC Holding N.V., the principal other members are B.V. NIBC Mortgage Backed Assets, Parnib Holding N.V., Vredezicht 's-Gravenhage 110 B.V. and NIBC Principal Investments Mezzanine B.V.

30 Assets pledged as security

For a specification of the assets pledged as security, please see note 47 of the consolidated financial statements.

31 Assets under management

NIBC provides collateral management services, whereby it holds and manages assets or invests funds received in various financial instruments on behalf of the customer. NIBC receives fee income for providing these services. Assets under management are not recognised in the consolidated balance sheet. NIBC is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

At 31 December 2021, the total assets held by NIBC on behalf of customers were EUR 12.006 million (2020: EUR 8,619 million).

32 Related party transactions

For a specification of the related party transactions, see note 49 of the consolidated financial statements.

33 Principal subsidiaries and associates

For a specification of the principal subsidiaries and associates, see note 50 of the consolidated financial statements.

34 Financial risk management

See notes 52 to 55 of the consolidated financial statements, for NIBC's risk management policies.

35 Remuneration

The remuneration of the Statutory Board members and Supervisory Board members are included in the Related Party transactions note.

At 31 December 2021 and 31 December 2020, there were no receivables outstanding with current and former members of the Statutory Board and Supervisory Board.

36 Profit appropriation

in EUR millions	2021	2020
Result available for distribution to holders of the company	190	61
	190	**61**
Final and interim dividend	115	109
Holders of capital securities	12	12
Transferred from retained earnings	63	(60)
	190	**61**

37 Subsequent events

On 21 February 2022, Russia recognised two Ukrainian regions, Donetsk and Luhansk, as independent states. In a further escalation of the conflict, Russia invaded Ukraine on 24 February 2022. The western world has made clear it disapproves of Russia's actions, and, amongst others, the US, EU and UK have decided on severe sanctions for Russia and Russian companies and individuals, with potential consequences for businesses throughout the world.

For NIBC, the impact of these subsequent events are relevant in various ways. Firstly, NIBC as a financial institution, is obliged to adhere to all relevant sanctions. As the bank has processes in place to ensure compliance with all applicable sanctions, this is taken care of as part of regular operations and has not caused any discontinuity or business disruption. Secondly, the question is whether NIBC has exposures in its portfolio that are impacted by the developments and sanctions. NIBC does not have any direct exposure in Russia or the Ukraine, however, indirectly, it may still be affected by recent or potential future developments. The impact of this on NIBC is expected to be limited and immaterial. Lastly, recent developments are likely to have an impact on global macro-economic developments, as the measures taken will directly influence global trade and logistics, and consequently economic growth. At this stage, it is still very difficult to predict what the (longer-term) macro-economic impact will be.

The Hague, 3 March 2022

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

Supervisory Board
Mr. D.M. Sluimers, *Chair*
Ms. A.G.Z. Kemna, *Vice-Chair*
Mr. Q. Abbas
Ms. L.M.T. Boeren
Mr. N.D.E.D. El Gabbani
Mr. J.J.M. Kremers
Mr. J.G. Wijn
Ms. S.M. Zijderveld

OTHER INFORMATION

Independent auditor's report

To: the shareholders and Supervisory Board of NIBC Bank N.V.

Report on the audit of the financial statements 2021 included in the annual report

Our opinion

We have audited the financial statements 2021 of NIBC Bank N.V., based in The Hague. The financial statements comprise the consolidated and company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of NIBC Bank N.V. as at 31 December 2021 and of its result and its cash flows for 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- the accompanying company financial statements give a true and fair view of the financial position of NIBC Bank N.V. as at 31 December 2021 and of its result for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2021
- the following statements for 2021: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2021
- the company income statement for 2021
- the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the *Our responsibilities for the audit of the financial statements* section of our report.

We are independent of NIBC Bank N.V. (hereafter: NIBC, the company or the group) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

NIBC Bank N.V. is a commercial bank in the Netherlands offering corporate and retail banking products and services. Its corporate banking activities range from advising, structuring, financing and co-investing across debt and equity in Northwest Europe with a focus on the Netherlands and Germany. The retail banking activities primarily consist of mortgage lending in the Netherlands and online retail savings products and services in the Netherlands, Germany and Belgium via the NIBC Direct brand. The group is structured in three segments (corporate client offering, retail client offering and treasury) and we tailored our group audit approach accordingly. We paid specific attention in our audit to areas driven by the operations of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality

Materiality	EUR 15 million (2020: EUR 12 million)
Benchmark applied	0.75% of total equity (2020: 0.6% of total equity)
Explanation	Based on our professional judgement, a benchmark based on total equity is an appropriate quantitative indicator of materiality as it best reflects the focus of users of the financial statements on the financial position of the company. We have raised the threshold based on the assumption that the Covid-19 pandemic has less impact in 2021 compared to 2020.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 750 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

NIBC Bank N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or on specific items.

We assigned a full scope to the banking activities focusing on the three segments mentioned above which are managed centrally and audited by the group audit team. Our group scope resulted in a nearly full audit coverage of total equity and total assets.

By performing the procedures mentioned above at components of the group, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Teaming and use of specialists

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a bank. We included specialists in the areas of IT audit, forensics, tax, credit risk modelling, macroeconomic forecasting, regulatory reporting and have made use of our own experts in the areas of valuation of derivatives and financial investments and private equity.

Our focus on climate risks and the energy transition

Climate change and the energy transition are emerging topics and lead to significant change for many businesses and society. The banking industry has to respond to these changes and related risks for the business model and valuation of assets. The section Sustainability in the Report of the Managing Board of the annual report includes disclosures about NIBC's business model, risk assessment and outcome and next steps relating to climate change directly and indirectly impacting NIBC's business.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the possible effects of the energy transition are taken into account in judgements, accounting estimates and significant assumptions by NIBC, including those related to the estimation of expected credit losses. Furthermore, we read the other information included in the annual report and considered whether there is any material inconsistency between the non-financial information in the annual report and the financial statements.

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, accounting estimates or significant assumptions per 31 December 2021. Therefore this did not require significant auditor's attention during our audit.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Our audit response related to fraud risks
We identify and assess the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes.

We refer to the Sustainability section, specifically Compliance and anti-corruption paragraph, of the Managing Board report for management's (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic and legal specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override. These risks did however not require significant auditor's attention in addition to the following fraud risks identified during our audit:

Risks of material misstatement as a result of fraudulent reporting	
Fraud risk	When identifying and assessing fraud risks we considered the risks of fraudulent financial reporting. In our audit approach we considered that this risk would primarily impact the determination of expected credit losses (ECL) and measurement of equity investments as a result of management override of controls, including management bias that may represent a risk of material misstatement due to fraud: • For ECL, corporate loans classification in risk stages 1 and 2 may be incorrect due to incorrect conclusion on model assessment and/or incorrect management overlay applied for corporate loans and mortgage loans • For ECL, corporate loans individually assessed in risk stage 3 may be incorrect where the opportunity exists to deviate from approved loan impairment allowances by the Transaction Committee. • For the fair value changes of equity investments as disclosed in note 17 'Equity investments (fair value through profit and loss)', may be incorrect and inconsistent with the outcome as determined by the Investment Committee.
Our audit approach	We describe the audit procedures responsive to the risk of management override in the determination of expected credit losses in the description of our audit approach for the key audit matter 'Credit losses on corporate and mortgage loans'.

Risks of material misstatement as a result of fraudulent reporting	
	For fair value changes of equity investments we audited fair values in with the use of our own experts. Further to the fraud risk above, we reconciled the fair values as approved by the Investment Committee to the financial statements ensuring that there were no adjustments applied by management.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance and risk management) and the Supervisory Board.

The presumed fraud risk, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations
We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the Managing Board specifically about the procedures management performs to be compliant with the banking regulation, reading minutes, inspection of internal audit and compliance reports, inspection of communication with external regulators, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in section 'Basis of preparation' in the Accounting Policies to the financial statements, management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the specific assessment with management exercising professional judgment and maintaining professional skepticism. We considered whether management's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the company's ability to continue as a going concern also focusing on whether the company will continue to meet the regulatory solvency and liquidity requirements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify serious doubts on the company's ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

Building a better working world

In comparison with previous year, our key audit matters did not change.

Credit losses on corporate and mortgage loans	
Risk	At 31 December 2021, NIBC Bank reported Loans (amortised cost) of EUR 6,381 million (2020: EUR 6,309 million), net of credit loss allowance of EUR 170 million (2020: EUR 158 million credit loss allowance) for expected credit losses (hereafter: "ECL"). The mortgage loans amount to EUR 11,659 million (2020: EUR 9,902 million) net of credit loss allowances of EUR 9 million (2020: EUR 11 million). The impairment allowance represents the bank's best estimate of ECL on the loans at the balance sheet date. The ECL of risk stage 1 and risk stage 2 loans is calculated collectively. The ECL of risk stage 3 loans is assessed individually. The determination of impairment allowances is a key area of judgment for management and in our risk assessment we considered the risk of management override of controls, including management bias that may represent a risk of material misstatement due to fraud. The determination of the individual or collective recoverability of loans and advances to customers is subject to inherent estimation uncertainty. This also involves setting assumptions and determining scenarios for macro-economic developments, geopolitical trends, climate and other environmental related factors. Uncertainty associated with Covid-19 and its implications on default and recovery assumptions and the impact of government intervention has increased the level of judgement required to calculate ECL. Management's estimates in respect of the timing and measurement of ECL which required significant judgement include: • Allocation of loans to risk stage 1, 2, or 3 using criteria in accordance with IFRS 9, including the impact of Covid-19 pandemic and related support measures on customer behaviours and the identification of underlying significant deterioration in credit risk; • Accounting interpretations, modelling assumptions and data used to build and run the models that calculate the ECL, including the economic impact of Covid-19 on model performance; • Inputs and assumptions used to estimate the impact of multiple economic scenarios particularly those impacted by Covid-19; • Appropriateness, completeness and valuation of material model adjustments including any Covid-19 specific adjustments; • Measurement of individual provisions including the assessment of multiple scenarios and impact of Covid-19; and • The completeness, presentation and preparation of disclosures considering the key judgments and sources of data. Given the materiality of the corporate loans and mortgage loans portfolio of NIBC, the complex accounting requirements with respect to calculating ECL and the subjectivity involved in the judgments made, we considered this to be a key audit matter. Reference is made to section 'Impact of Covid-19 pandemic' and accounting policies for 'Expected credit losses (ECL)' as well as Note '12 Impairments of financial and non-financial assets', Note '22 Loans (amortised cost)', Note '24 Mortgage loans (amortised cost)' and Note 25 'Securitised mortgage loans (amortised cost)'.

Credit losses on corporate and mortgage loans	
Our audit approach	Our audit procedures included, amongst others, evaluating the appropriateness of NIBC's accounting policies related to expected credit losses according to IFRS 9 "Financial Instruments" and whether these have been applied consistently. In addition, we evaluated the design and implementation and, where considered appropriate, tested the operating effectiveness of internal controls across the processes relevant to the ECL. This included the allocation of assets into risk stages, model governance, data accuracy and completeness, credit monitoring, multiple economic scenarios, collective and individual provisions, journal entries and disclosures. We performed an overall assessment of the ECL provision levels by risk stage to determine if they are reasonable considering NIBC's portfolio, risk profile and credit risk management practices. We performed an assessment of the impact of the Covid-19 pandemic on a sample of credit files, on the identification of high-risk sectors and macroeconomic environment. We considered trends in the economy and industries to which NIBC is exposed. We reviewed the back testing procedures to confirm that the criteria used to allocate a financial asset to risk stage 1, 2 or 3 are in accordance with IFRS 9. We reperformed the allocation of assets in risk stage 1, 2 and 3 to assess if they were allocated to the appropriate risk stage. For collectively assessed loan impairment allowances, we tested assumptions, inputs and formulas used in a sample of ECL models with the support of our modelling specialists. This included the appropriateness of model design and formulas used and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models. We tested material model adjustments including those which have been applied in response to Covid-19. With our modelling specialists, we assessed the completeness of these adjustments and their appropriateness by considering the data, judgments, methodology, sensitivities, and governance of these adjustments as well as considering model shortcomings. Further, we assessed the selected macro-economic scenarios used with the support of our economic specialists. We considered the latest developments related to Covid-19 pandemic and assessed whether forecasted macroeconomic variables were appropriate, such as GDP, oil price and house price index. With the support of our modelling specialists we assessed the correlation and the overall impact of the macroeconomic factors to the ECL. For individually assessed loan impairment allowances, we reconciled the allowances to the approved loan impairment allowances from NIBC's Transaction Committee and we examined a selection of loan exposures to assess the expected credit loss provision for risk stage 3 loans. We applied professional judgment in selecting those exposures for our detailed inspection, placing an emphasis on exposures with low coverage ratios. For selected loan exposures we recalculated individually assessed provisions and challenged the recovery scenarios and probability weights assigned.

EY Building a better working world

Credit losses on corporate and mortgage loans	
	We tested the management overlays applied as a result of Covid-19. We assessed the completeness of these adjustments and their appropriateness by considering the data, judgments, methodology, sensitivities, and governance. We tested the data flows used to populate the disclosures and assessed the adequacy of disclosures for compliance with the accounting standards. Finally, we evaluated the adequacy of the related disclosures, as included in the financial statements and in the credit risk section of the annual report. In particular we evaluated that disclosures adequately convey the degree of estimation uncertainty and the range of possible outcomes under the different economic scenarios.
Key observations	Based on our procedures performed we consider the estimation of and disclosures on the ECL for corporate loans and mortgage loans to be reasonable and in accordance with EU-IFRS

Reliability and continuity of the information technology and systems	
Risk	As described in the risk management section in the annual report, NIBC is highly dependent on the reliability and the continuity of information technology due to the significant number of transactions that are processed daily and the reliance on IT applications to support initiation through reporting of those transactions. An adequate IT infrastructure ensures the reliability and continuity of the bank's business processes and accuracy of financial reporting. As the reliability and continuity of the IT systems may have an impact on automated data processing and financial reporting and given the pervasive nature of IT general controls on the internal control environment, we consider this a key audit matter.
Our audit approach	IT audit specialists are an integral part of the engagement team and assessed the reliability and continuity of automated data processing (only) to the extent necessary for the scope of our audit of the financial statements. We obtained an understanding of the IT organization and developments in the IT infrastructure to analyze the impact on the company's processes. We assessed the impact of changes during the year on the IT systems and IT infrastructure. During the planning and test of design phases of our audit, we performed procedures to assess the cybersecurity program within NIBC and how management evaluates cyber risks and to determine whether the ongoing global Covid-19 pandemic had caused material changes in IT processes or controls and noted no such changes that would result in an increased IT risk. We tested the design and operating effectiveness of IT general controls related to user access management and change management across applications, databases and operating systems. We tested application controls over automated data processing, data feeds and interfaces when relevant for financial reporting.

	A particular area of attention is related to logical access management, including access rights and role based access. We tested logical access rights to the extent relied upon for the audit of the financial statements. This resulted in the identification of certain control deficiencies with respect to access rights. We performed procedures over management's remediation activities and we performed additional substantive audit procedures to mitigate the related audit risk.
Key observations	Our testing of the general IT controls and the substantive tests performed, provided sufficient evidence to enable us to rely on the adequate and continued operation of the IT systems relevant for our audit of the financial statements.

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Managing Board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by Supervisory Board as auditor of NIBC Bank N.V. on 10 April 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Reporting Format (ESEF)

NIBC Bank N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in the XHTML format, including the partially marked-up consolidated financial statements, as included in the reporting package by NIBC Bank N.V., complies in all material respects with the RTS on ESEF.

The Managing Board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the Managing Board combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.
Our procedures, taking into account Alert 43 of the NBA (the Netherlands Institute of Chartered Accountants), included amongst others:

- obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package
- obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files has been prepared in accordance with the technical specifications as included in the RTS on ESEF
- examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities regarding the financial statements

Responsibilities of the Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as the Managing Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The ‘Information in support of our opinion’ section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.
Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.
In this respect we also submit an additional report to the Audit Committee of the Supervisory Board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor’s report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 3 March 2022

Ernst & Young Accountants LLP

Signed by R. Koekkoek

PROFIT APPROPRIATION

The provision and appropriation of the profit after tax is based upon the Articles of Association of 30 December 2020.

Distribution of profits pursuant to Article 41 and 42 of the Articles of Association shall be made following the adoption of the annual report, which shows that such distribution is allowed.

The General Meeting resolves whether dividends shall be paid on one or more series of the preference shares. If the General Meeting resolves to pay dividends on one or more series of the preference shares, to the extent possible, the dividend due to each of the holders of preference shares pursuant to Article 41 paragraph 3 and paragraph 4 shall be paid at times and dates established under Article 42 paragraph 2 under b.

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 IFRS, CRR and 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 payout ratio, %
- Cost/income ratio, %
- Return on equity, %
- Cost of risk (on average RWA), %
- 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 our website.

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 pay-out 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	2021	2020	2019
Dividend pay-out 2021	178		
Profit after tax 2021	178		
Dividend pay-out ratio 2021 (%)	**100**		
Dividend pay-out 2020		49	
Profit after tax 2020		49	
Dividend pay-out ratio 2020 (%)		**100**	
Dividend pay-out 2019 (page 35 annual report NIBC Bank N.V.)			190
Profit after tax 2019 (page 134 annual report NIBC Bank N.V.)			190
Dividend pay-out ratio 2019 (%)			**100**

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.

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

Cost/Income ratio	2021	2020	2019
Operating expenses 2021	235		
Operating income 2021	497		
Cost/income ratio 2021 (%)	**47**		
Operating expenses 2020		210	
Operating income 2020		407	
Cost/income ratio 2020 (%)		**52**	
Operating expenses 2019 (page 134 annual report NIBC Bank N.V.)			229
Operating income 2019 (page 134 annual report NIBC Bank N.V.)			524
Cost/income ratio 2019 (%)			**44**

Return on equity

Return on equity (**ROE**) 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. ROE is calculated as the ratio of (i) (annualised) net profit attributable to parent shareholder to (ii) post proposed dividend total shareholder's equity at the start of the financial year. All elements of the ROE reconcile to NIBC's consolidated financial statement.

$$\text{Return on equity} = \frac{\text{Annualised net profit attributal to parent shareholder}}{\text{Post proposed dividend total shareholder's equity at start of the financial year}}$$

Return on equity	2021	2020	2019
Net profit attributable to parent shareholder	178		
Total shareholder's equity at the start of financial year	1,688		
Return on equity 2021 (%)	**10.6**		
Net profit attributable to parent shareholder		49	
Total shareholder's equity at the start of financial year		1,756	
Return on equity 2020 (%)		**2.8**	
Net profit attributable to parent shareholder (page 134 annual report NIBC Bank N.V.)			190
Total shareholder's equity at the start of financial year (page 138 annual report NIBC Bank N.V.)			1,858
Return on equity 2019 (%)			**10.2**

Return on assets

Return on Assets (**ROA**)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. ROA 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 ROA reconcile to NIBC's consolidated financial statements.

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

Return on assets	2021	2020	2019
Net profit attributable to parent shareholder	178		
Total assets at the beginning of the financial year	21,055		
Return on assets 2021 (%)	**0.85**		
Net profit attributable to parent shareholder		49	
Total assets at the beginning of the financial year		22,407	
Return on assets 2020 (%)		**0.22**	
Net profit attributable to parent shareholder (page 134 annual report NIBC Bank N.V.)			190
Total assets at the beginning of the financial year (page 136 annual report NIBC Bank N.V.)			21,716
Return on assets 2019 (%)			**0.87**

Cost of risk (on average RWA)

The cost of risk compares the total credit losses included in the income statement to the total RWAs. 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 (annualised) impairments and the credit losses on the fair value mortgage loans and loans (as part of the net trading income) and to (ii) the total RWAs averaged over the reporting period. With the exception of the credit losses on the fair value mortgage loans and loans, the elements of the cost of risk reconcile to our financial statements and regulatory reporting. The credit losses on the fair value mortgage loans are calculated in accordance with the applicable financial reporting framework and form part of the net trading income.

$$\textbf{Cost of Risk} = \frac{\textbf{Annualised impairments and the credit losses on fair value residential mortgages and loans (as part of net trading income)}}{\textbf{Average risk weighted assets (Basel III regulations)}}$$

Cost of risk (on average RWA)	2021	2020	2019
Credit losses on AC loans	35		
Credit losses FVTPL loans	3		
Total credit losses	38		
Risk-weighted assets 2021	8,572		
Risk-weighted assets 2020	7,640		
Average risk-weighted assets 2021	8,106		
Cost of risk 2021 (%)	**0.47**		
Credit losses on AC loans		134	
Credit losses FVTPL loans		10	
Total credit losses		144	
Risk-weighted assets 2020		7,640	
Risk-weighted assets 2019		8,597	
Average risk-weighted assets 2020		8,118	
Cost of risk 2020 (%)		**1.77**	
Credit losses on AC loans (page 134 annual report NIBC Bank N.V.)			49
Credit losses FVTPL loans			3
Total credit losses			52
Risk-weighted assets 2019 (page 13 annual report NIBC Bank N.V.)			8,597
Risk-weighted assets 2018 (page 13 annual report NIBC Bank N.V.)			7,723
Average risk-weighted assets 2019			8,160
Cost of risk 2019 (%)			**0.64**

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 mortgage loans. All elements of the impairment ratio reconcile to NIBC's income statement and the consolidated balance sheet.

$$\textbf{Impairment ratio} = \frac{\textbf{Annualised impairment expenses}}{\textbf{Average financial assets regarding loans and residential mortgages}}$$

Impairment ratio	2021	2020	2019
Credit losses on amortised cost loans and mortgage loans	35		
Average financial assets at amortised cost: loans[1]	6,358		
Average financial assets at amortised cost: mortgage loans[1]	11,092		
Average financial assets regarding loans and mortgage loans (total)	**17,450**		
Impairment ratio 2021 (%)	**0.20**		
Credit losses on amortised cost loans and mortgage loans (page 134 annual report NIBC Bank N.V.)		134	
Average financial assets at amortised cost: loans (page 136 annual report NIBC Bank N.V.)[1]		6,993	
Average financial assets at amortised cost: mortgage loans (page 136 annual report NIBC Bank N.V.)[1]		10,144	
Average financial assets regarding loans and mortgage loans (total)		17,138	
Impairment ratio 2020 (%)		**0.78**	
Credit losses on amortised cost loans and mortgage loans (page 106 annual report NIBC Bank N.V.)			49
Average financial assets at amortised cost: loans (page 108 annual report NIBC Bank N.V.)			7,716
Average financial assets at amortised cost: mortgage loans (page 108 annual report NIBC Bank N.V.)			9,748
Average financial assets regarding loans and mortgage loans (total)			17,463
Impairment ratio 2019 (%)			**0.28**

1 Loans and residential mortgages are represented post IFRS 9 implementation

Non-Performing Loans ratio

The *non-performing loans* (**NPL**) ratio compares the non-performing exposure (as defined by the European Banking Authority) of corporate loans, retail loans and lease receivables 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 corporate loans, mortgage loans and lease receivables by the total exposure for corporate loans, mortgage loans and lease receivables. The elements of the NPL ratio reconcile to the consolidated financial statements and the regulatory reporting of NIBC.

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

NPL ratio	2021	2020	2019
Non performing exposure corporate loans 2021	346		
Non performing exposure lease exposure 2021	31		
Non performing exposure mortgage loans 2021	121		
Non performing exposure 2021	498		
Total corporate loans drawn and undrawn 2021	7,188		
Total lease exposure 2021	31		
Total retail client assets 2021	11,665		
Total exposure 2021	18,884		
NPL ratio 2021 (%)	**2.6**		
Non performing exposure corporate loans 2020		307	
Non performing exposure lease exposure 2020		31	
Non performing exposure mortgage loans 2020		19	
Non performing exposure 2020		356	
Total corporate loans drawn and undrawn 2020		7,235	
Total lease exposure 2020		31	
Total retail client assets 2020		9,860	
Total exposure 2020		17,126	
NPL ratio 2020 (%)		**2.1**	
Non performing exposure corporate loans 2019			423
Non performing exposure lease exposure 2019			30
Non performing exposure mortgage loans 2019			10
Non performing exposure 2019			464
Total corporate loans drawn and undrawn 2019			9,076
Total lease exposure			35
Total retail client assets 2019			9,795
Total exposure 2019			18,906
NPL ratio 2019 (%)			**2.5**

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.

$$\text{Impairment coverage ratio} = \frac{\text{Total impairments on corporate and retail loans}}{\text{Total exposure of impaired corporate and retail loans}}$$

Impairment coverage ratio	2021	2020	2019
Balance stage 3 credit losses on loans (loans, leases and mortgages)	152		
Total stage 3 credit impaired exposure 2021	538		
Impairment coverage ratio 2021 (%)	**28**		
Balance stage 3 credit losses on loans		130	
Total stage 3 credit impaired exposure 2020		356	
Impairment coverage ratio 2020 (%)		**37**	
Balance stage 3 credit losses on loans			140
Total stage 3 credit impaired exposure 2019			418
Impairment coverage ratio 2019 (%)			**33**

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 mortgage loans by the deposits from customers. The elements of the loan-to-deposit ratio reconcile to NIBC's balance sheet.

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

Loan to deposit ratio	2021	2020	2019
Financial assets at amortised cost: loans	6,390		
Financial assets at amortised cost: residential mortgages	11,659		
Financial assets at amortised cost: securitised residential mortgages	281		
Financial assets at fair value through profit or loss: loans	148		
Financial assets regarding loans and residential mortgages (total)	18,478		
Deposits from customers	**11,333**		
Loan to deposit ratio 2021 (%)	**163**		
Financial assets at amortised cost: loans		6,326	
Financial assets at amortised cost: residential mortgages		9,902	
Financial assets at amortised cost: securitised residential mortgages		343	
Financial assets at fair value through profit or loss: loans		130	
Financial assets regarding loans and residential mortgages (total)		**16,700**	
Deposits from customers		**11,137**	
Loan to deposit ratio 2020 (%)		**150**	
Financial assets at amortised cost: loans			7,661
Financial assets at amortised cost: residential mortgages			9,637
Financial assets at available for sale: loans			407
Financial assets at fair value through profit or loss: loans			142
Financial assets regarding loans and residential mortgages (total)			**17,848**
Deposits from customers			**11,397**
Loan to deposit ratio 2019 (%)			**157**

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.

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

Net interest margin	2021	2020	2019
Sum interest income last 12 Months	361		
12 Month average interest bearing assets	20,950		
Net interest margin 2021 (%)	**1.72**		
Sum interest income last 12 Months 2020		386	
12 Month average interest bearing assets		21,321	
Net interest margin 2020 (%)		**1.81**	
Sum interest income last 12 Months 2019 (page 134 annual report NIBC Bank N.V.)			417
12 Month average interest bearing assets			20,916
Net interest margin 2019 (%)			**1.99**

CORPORATE RESPONSIBILITY REPORTING SCOPE

This Annual Report is an integrated report. We have chosen to combine all our financial, economic, social and environmental information into one document because all these factors are integral to NIBC's strategy and operations. By providing this additional information we aim to increase transparency for all of our stakeholders and to allow them to make a more informed assessment of NIBC and how we are creating and sustaining value.

The non-financial key figures for this report were confirmed by the departments that are responsible for the data. The reported non-financial key figures were reviewed by IA. IA confirmed that nothing has come to the attention that causes them to believe that the reported non-financial key figures for NIBC Bank N.V. are inadequately presented, in all material respects, in accordance with the reporting criteria.

Scope

Unless specified otherwise, this report includes figures and information for NIBC Bank N.V. (including all international offices and wholly-owned subsidiaries established by NIBC for our business purposes).

NIBC is a signatory to the UN Global Compact. The NIBC Bank N.V. Annual Report contains details of our progress as regards the 10 Global Compact principles.

Criteria

The contents of this Annual Report and the selection of non-financial key figures are based on the following criteria:

- Assessment of materiality. We report on NIBC's strategy and the elements that we have identified as most relevant for us as a company and for our stakeholders. Please see our Materiality Assessment report and materiality matrix for an overview of these elements;
- Legal and regulatory requirements. For NIBC, the principal regulatory requirements are contained in the Dutch Corporate Governance Code, the Dutch Banking Code the *EU Taxonomy* (Article 10 of Article 8 Delegated Act (EU) 2020/852), the *Sustainable Finance Disclosure Regulation* (**SFDR**) and the Dutch Decree on disclosure of non-financial information (Besluit bekendmaking niet-financiële informatie), which came into effect on 24 March 2017 as part of the transposition into Dutch law of the EU *Non-Financial Reporting Directive* (**NFRD**) (2014/95/EU, OJEU 201 330). Please see the Corporate Governance sector for more details.

NIBC aims to remain compliant with applicable laws and other regulatory requirements. We also want to operate in the spirit of the law and act in the best interests of our clients. Rapidly growing regulatory requirements are increasingly influencing NIBC's direct operating environment – our business strategy, product offerings, risk management processes, operations and reporting. The stakeholders within our operating environment including retail and corporate customers, investors, shareholders and suppliers are also impacted.

Accountability and reporting standards

NIBC follows the reporting criteria and guidelines of the latest *Global Reporting Initiative* (**GRI**) Standards. This report has been prepared in accordance with the GRI Standards: Core option. The GRI content index and glossary of definitions can be found in the appendices available on our website.

The methodology used for the calculation of indicators for 2021 is the same as for 2020 unless otherwise stated in the definitions for non-financial key figures.

In providing this non-financial report and other disclosures, NIBC reiterates its continued commitment to the *UN Global Compact* (**UNGC**) and the *UN Sustainable Development Goals* (**SDGs**) The ten principles and seventeen SDGs frame our sustainability policies, Code of Conduct and our reporting approach. NIBC has been a signatory to UNGC since 2010.

Elements concerning *Taskforce for Climate-related Financial Disclosures* (**TCFD**) reporting are summarised in this Annual Report,,whereas additional details and indicators are available in our Sustainability Report and TCFD Report. Our Sustainability Report also contains a reference index for our disclosures related to the *UN Principles for Responsible Banking*.

Materiality Assessment

We engaged with our stakeholders to verify the focus of our sustainability strategy and materiality in reporting. This materiality assessment process and the outcomes are described here and form the basis for our Annual Report.

We have determined materiality based on topics raised in regular dialogues with stakeholders and guided by the *SASB Materiality Framework* maps applicable for commercial banks and mortgage providers.

The boundary for ESG aspects is broad and is framed for NIBC by international standards such as the OECD Guidelines for Multinationals. We define stakeholders as any group or individual affected directly or indirectly by our activities. We have identified our main stakeholders to include clients, institutional investors, shareholders, regulators, employees and civil society organisations. We actively seek these connections to the world around us to ensure we reflect on our business, understand our impact and to continue to innovate.

Similar to 2020 but unlike prior years, most meetings with stakeholders were virtual due to the pandemic. To bring their inputs together, internal stakeholder representatives responsible for engagements with individual stakeholders were surveyed to collect topics discussed and their relevance. We also used other external inputs that we received such as research surveys, NGO reports, and social media mentions. We used our own judgement to carefully weigh these sources and determine the material themes for 2021.

The most important aspects for stakeholders were financial performance, climate resilience, business ethics (including integrity, culture & behaviour), regulatory change & compliance and data security. Given their importance to stakeholders, NIBC has included these topics within our disclosure. We are committed to continue our efforts across the ESG aspects which stakeholders find to be most material or salient, to promote human rights and environmental awareness with our client and business partners, and to work together our stakeholders.

EU-DIRECTIVE NIBC BANK N.V. ANNUAL REPORT 2021

EU Directive 2014/95/EU

Non-financial & Diversity information

Topic	Sub topic	Chapter / Section
Business model	N.A.	·Vision and strategy / Creating long-term value · Business Review ·Sustainability / Sustainable business model
Relevant social and personal matters (including human rights, diversity, employee engagement)	A decription of the policies pursued, including due diligence	· Vision and strategy · Business Review ·Risk Management ·Sustainability / Policies and due diligence · Our people
	The outcome of those policies	· Sustainability / Outcomes and next steps ·Our people/ Main indicators
	Principle risks in own operations and within value chain	·Vision and strategy ·Sustainability / Principle environmental & social risks ·Our people
	How risks are managed	· Business Review ·Risk Management ·Sustainability / Governance & Management of Sustainability aspects ·Our people
	Non-Financial Key Performance indicators	·At a glance ·Key Figures ·Sustainability / Performance indicators ·Our People / Main indicators
Relevant environmental matters (e.g. environment, climate and biodiversity)	A decription of the policies pursued, including due diligence	· Vision and strategy · Business Review ·Risk Management ·Sustainability / Policies and due diligence
	The outcome of those policies	· Business Review ·Sustainability / Risks and Outcomes
	Principle risks in own operations and within value chain	·Vision and strategy ·Sustainability / Principle environmental & social risks
	How risks are managed	· Business Review ·Risk Management ·Sustainability / Governance & Management of Sustainability aspects
	Non-Financial Key Performance indicators	·At a glance

Topic	Sub topic	Chapter / Section
		·Key Figures ·Sustainability / Performance indicators
Relevant matters with respect to anticorruption and bribery (incl business ethics, integrity, corporate culture)	A decription of the policies pursued, including due diligence	· Vision and strategy
		· Business Review ·Risk Management ·Sustainability / Policies and due diligence
	The outcome of those policies	· Business Review ·Sustainability / Risks and Outcomes
	Principle risks in own operations and within value chain	·Vision and strategy
		·Sustainability / Principle environmental & social risks
	How risks are managed	· Business Review ·Risk Management ·Sustainability / Governance & Management of Sustainability aspects
	Non-Financial Key Performance indicators	·At a glance
		·Key Figures ·Sustainability / Performance indicators
Insight into diversity (managing board and supervisory board)	A decription of the policies pursued, including due diligence	·Our people
		·Corporate Governance / Managing Board ·Corporate Governance / Executive Committee
	Diversity targets	·Our people ·Corporate Governance / Managing Board ·Corporate Governance / Executive Committee ·Supervisory Board / Diversity and succession
	Description of how the policy is implemented	·Our people
		·Corporate Governance / Managing Board ·Corporate Governance / Executive Committee
	Results of the diversity policy	·Key Figures ·Our people / main indicators ·Corporate Governance / Managing Board ·Corporate Governance / Executive Committee

DEFINITIONS FOR THE NON-FINANCIAL KEY FIGURES

The following definitions have been used for the Non Financial Key Figures presented in NIBC's annual report.

Net Promoter Score

Outcome of *Net Promoter Score* (**NPS**) survey with corporate lending and advisory clients, who executed a (lending) deal/deals with NIBC Corporate Banking during the reporting period, and for existing lending and advisory clients of NIBC.

Stakeholders view this as a material indicator of client satisfaction of our corporate lending and advisory clients as well as an indicator of integrity & culture within NIBC.

The NPS methodology is a widely used methodology in which scores from 0 to 6 are classified as 'detractor', scores. 7 or 8 are classified as 'passive' and only those scores that are 9 or 10 are classified as 'promoters'. The result is calculated by the percentage of promoters minus the percentage of detractors, giving the NPS. The NPS can therefore range from -100% to +100%.

The NPS is measured over a 12 month period, from the 1st December to the 30th November each year. It takes place in four batches and each respondent weighs the same in the score. It is calculated over the corporate lending and advisory client base, where we are in direct contact with the client, excluding distressed asset clients, internal clients and certain legacy clients. In case of multiple deals for one client, the client is counted once. When the online survey is sent to multiple contact persons for a client, only the first response is included.

The total population of NIBC corporate clients in scope is 550 clients in the 12 month period. 372 clients fall within the definition described above and were surveyed, 54 responses were received. NIBC considers this to be representative of the total population. The online surveys are sent by a third party service provider, which transfers the raw results back to NIBC.

NIBC Direct Customer Satisfaction Score

The results of the latest, annual online *Customer Satisfaction Survey* (**CSS**) for the bank's retail clients, i.e. NIBC Direct Savings Netherlands (NL, including Mortgages), Belgium (BE) and Germany (GE, also including Brokerage clients), that was completed in the reporting period.

The digital surveys were conducted in October 2021through a third party, using a random selection of NIBC's new and existing Dutch NIBC Direct Mortgage and Savings clients, Belgian NIBC Direct Savings clients and German NIBC Direct Savings and Brokerage clients. Clients were selected based amongst other criteria on country and product. The average scores per country and product are totaled and divided by the total number of clients in the population.

2021 score per product: Netherlands Mortgages 8.1; Netherlands Savings 7.6; Germany Savings 7.7; Germany Brokerage 8.0; Belgium Savings 7.7.

Stakeholders view this as a material indicator of client satisfaction of our retail clients as well as an indicator of integrity and culture within NIBC.

The population of NIBC Direct CSS was approx. 348000 clients in October 2021, of which 30000 have been surveyed (10,000 per country), and around 2370 responses were received.. NIBC considers this to be representative for the population.

Percentage of new Corporate loans screened against sustainability policy framework

New corporate deals which have been assessed for social and environmental risks during the reporting period. A deal may include one or more underlying facilities with different tenors as part of a deal or loan structure. Amendments to existing deals are excluded from this figure.

Stakeholders view this as a material indicator in regard to our climate risk, human rights and business ethics in our financings. Sustainability impacts and good corporate governance are among the financial and non-financial aspects taken into consideration during NIBC's corporate client engagement and financing decision processes.

Screenings were performed by Corporate Banking account managers as part of NIBC's ongoing and mandatory due diligence process using a third party toolkit system.

Number of new clients/transactions with increased sustainability risk assessment

Number of new (potential) clients/transactions for which increased sustainability risks were identified using a third party toolkit assessment. This does not include monitoring of existing client files with sustainability risks nor clients for which a sustainability risk assessment has not (yet) been completed as the transaction is still in an early stage or was cancelled in an early stage.

Stakeholders view this as a material indicator of stakeholder engagement on potential sustainability issues such as climate resilience and human rights.

In these situations, NIBC performs enhanced sustainability due diligence into potential material environmental, social, and governance aspects that are of potential concern.

Fines or sanctions for non-compliance with laws and regulations

Number of significant fines and number of non-monetary sanctions for non-compliance with laws and regulations. The definition is limited to fines from a regulator. This excludes any pending claims and/or litigation. Significant: values of fine > EUR 10.000 (in line with category 2 and 3 fines of AFM).

Stakeholders view this as a material indicator of regulatory compliance, corporate governance and business ethics of NIBC's own operations and day-to-day business.

NIBC includes non-punitive fines agreed as part of settlement of regular tax audits within its interpretation of the definition for this indicator.

Number of Full-Time Equivalents end of year

Number of FTEs of NIBC worldwide at the end of the year. Only employees on NIBC's payroll and having an 'internal' position are accounted for. NIBC Bank N.V. includes all its international offices, though excludes minor participations of the bank.

A FTE represents, per employee, the total number of contract hours per week related to the maximum number of contract hours per week (e.g. 40 hours). This maximum can differ per NIBC office (depending on local guidelines) and kind of job contract.

Male/female ratio

Percentage of number of male and female for NIBC worldwide, at the end of the year.

The number of males and females is based upon headcount as reported from NIBC's human resources information management system at the end of the year.

Stakeholders view this metric as a material indicator for gender diversity in the company. NIBC supports all types of diversity and aspires to further diversify its workplace.

Male/female ratio top management

Percentage of number of male and female for NIBC worldwide, at the end of the year. Top management consists of management with corporate title 'Director' or 'Managing Director'.

Stakeholders view this metric as a material indicator for gender diversity in the company and of top management.

Gender pay ratio

Ratio of the basic salary and remuneration of women to men for each employee category.

Training expenses per employee

Total of training and education expenses, incurred in the current year based on average headcount calculated by taking the headcount at the beginning and end of the year. For employees traveling for training, this includes travel costs and any related expenses.

Stakeholders view this metric as a material indicator of the bank's commitment to employee development and future employability.

Absenteeism

Absenteeism is the rolling average of the latest absenteeism percentage, annualized for NIBC's employees in The Netherlands. The absenteeism percentage is the number of workdays lost to absenteeism divided by the total number of available workdays, expressed as a percentage. In case of partial absenteeism, the absenteeism percentage only reflects the actual absenteeism (non-working hours). Maternity leave is not included in the figure.

Absenteeism rate may change as the year progresses due to previously unreported cases of absenteeism and/or confirmation of the employee's recovery.

Notifications of illness and recovery are submitted by NIBC to a 3rd party ARBO service organization. NIBC uses its 3rd party health & safety services organization to report on absenteeism figures. The absenteeism percentage relates to the absenteeism in the Netherlands only: absenteeism in Germany, Belgium and United Kingdom is not accounted for in this figure.

Employee turnover (employees started & left)

Employee turnover consists of inflow of new employees ('started') and outflow of existing employees ('left').

Started: The number of employees that joined NIBC worldwide throughout the current calendar year (hire date between 1-1-20 and 31-12-20), divided by total number of employees at the start of the year.

Left: The number of employees that left NIBC worldwide throughout the calendar year divided by the total number of employees at the start of the year.

Stakeholders view this metric as a material indicator of employee engagement of existing employees and further as an indicator of the bank's position as an attractive employer.

CONTACT INFORMATION

Our website, www.nibc.com, offers a wide range of information about NIBC, financial information, corporate information, corporate calendar, press releases and sustainability information. The information is available on our English, Dutch and German website. Financial information (annual reports, full-year and half-year results releases and trading updates) is available in English.
To receive press releases and other NIBC news, please subscribe to our e-mail service by sending an e-mail to info@nibc.com.

Questions and remarks

We invite all stakeholders to ask their questions and share their remarks.

- General questions and remarks can be addressed to Corporate Communications, telephone +31 70 342 56 25 / e-mail info@nibc.com;
- Questions and remarks related to bond investments can be addressed to Debt Investor Relations, Toine Teulings, telephone +31 70 342 98 36 / e-mail toine.teulings@nibc.com;
- Questions and remarks related to ESG can be addressed to the CSR department, e-mail csr@nibc.com;
- You can find NIBC's complaints procedures here. For NIBC Direct in the Netherlands you can find our complaints procedures here, for NIBC Direct Germany here, and for NIBC Direct Belgium you can find our complaints procedure here (Dutch) or here (French).

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DISCLAIMER

Presentation of information

This annual report of NIBC Bank N.V. (**NIBC**) has been prepared in accordance with IFRS-EU and with Title 9 of Book 2 of the Netherlands Civil Code.

The Annual Report is presented in euros (EUR), rounded to the nearest million (unless otherwise stated). Certain figures may not tally due to rounding. Percentages have been calculated using unrounded figures.

Cautionary statement regarding forward-looking statements

Certain statements in this Annual 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', 'forecast', 'target' 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 Annual 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 Annual Report, whether as a result of new information, future events or otherwise. Neither do NIBC nor any of its directors, officers or employees 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.

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ABBREVIATIONS

12M-ECL	12-month ECL
AC	Audit Committee
AC	Amortised Cost
AGM	Annual General Meeting of Shareholders
AIRB	Advanced Internal Ratings Based
ALCO	Asset & Liability Committee
ALM	Asset & Liability management
AML	Anti-money laundering
APM	Alternative Performance Measure
AT 1	Additional Tier 1
BKR	Bureau Krediet Registratie (Dutch National Credit Register)
BMR	Benchmark Regulation
BPV	Basis Point Value
BtL	But-to-let
CCDRs	Conditional Common Depositary Receipts
CCR	Corporate Credit Rating
CCR	Counterparty Credit Rating
CCyB	Countercyclical Capital Buffer
CDC	Collective Defined Contribution
CDD	Client Due Dilligence
CDRs	Common Depositary Receipts
CEBS Guidlines	Committee of European Banking Supervisors Guidlines
CEM	Current Exposure Method
CEO	Chief Executive Officer
CET 1	Common Equity Tier 1 ratio
CFO	Chief Financial Officer
CGUs	Cash-Generating Units
CRD IV	Credit Requirements Directive IV
CRE	Commercial Real Estate
CRO	Chief Risk Officer
CRR	Credit Requirements Regulation
CSA	Credit Support Annexes
CSR	Corporate Social Responsibility
CSS	Customer Satisfaction Survey
CTF	Counter Terrorist Financing
CVAs and DVAs	Credit Valuation Adjustments & Debit Valuation Adjustments
DNB	Dutch Central Bank
DRs	Depositary Receipt
DSCR	Debt Service Coverage Ratio
DTA	Deferred Tax Assets
EAD	Exposure at Default
EatR	Earnings at risk
EBA	European Banking Authority
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EC	Engagement Committee
EC	Economic Capital
ECB	European Central Bank
ECL	Expected Credit Loss
EL	Expected loss
EONIA	EuroOvernight Index Average
EPS	Earnings per share
ESF	Einlagensicherungsfonds
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
ExCo	Executive Committee
FBC	Fraud, Bribery and Corruption
FMCR	Financial Markets Credit Risk
FTEs	Full-Time Equivalents
FVtPL	Fair value through profit or loss
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
IA	Internal Audit
IASB	International Accounting Standards Board
IBNR	Incurred But Not Reported
IC	Investment Committee
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IFRS 9	IFRS 9 'Financial instruments'
IFRS-EU	International Financial Reporting Standards as adopted by the European Union
ILAAP	Internal Liquidity Adequacy Assessment Process
IMI	Internal Model Investigation
IPO	Initial public offering
IRRBB	Interest Rate Risk in the Banking book
ISDA	International Swaps and Derivatives Association
KYC	Know Your Customer
KYS	Know Your Supplier
LCR	Liquidty Coverage Ratio
LFM	Leveraged Finance Markets
LGD	Loss Given Default
LT-ECL	Lifetime ECL
LTI	Loan-to-Income
LTIMV	Loan-to-Indexed-Market-Value
LTMV	Loan-to-Market Value
LtV	Loan-to-Value
M&A	Mergers and Acquisitions
ManCo	Management Holding Company
MIP	Management Investment Plan

NACE	Statistical Classification of Economic Activities in the European Community
NEIF	NIBC European Infrastructure Fund I C.V.
NHG Guarantee	National Mortgage Guarantee
NIBC	NIBC Bank N.V.
NIBC Holding Funds	Funds set up and managed by NIBC
NPL	Non-performing Loans
NPS	Net Promoter Score
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
OTC	Over The Counter
OTM	Originate-to-Manage
PD	Probability of Default
PFE	Potential Future Exposure
PiT	Point-in-Time
POCI	Purchased or originated credit impaired assets
PSUs	Phantom Share Units
RAROC	Risk-adjusted return on capital
RC	Regulatory capital
RDA	Restructuring & Distressed Assets
REN	Regulatory Expert Network
RFR	Risk Free Rate
RMBS	Residential Mortgage-Backed Securities
RMC	Risk management committee
RNC	Remuneration and Nominating Committee
ROA	Return on Assets
ROE	Return on Equity
RPCC	Risk Policy & Compliance Committee
RPSUs	Restricted Phantom Share Units
RSRS	Responsible Ship Recycling Standards
RWA	Risk Weighted Assets
S&I	Shipping & Intermodal
S&P	Standard & Poor's
SA-CCR	Standardised Approach Counterparty Credit Risk
SDGs	Sustainable development goals
SE	Structured Entity
SICR	Significant increase in credit risk
SME	Small and medium-sized enterprise
SOFR	Secured Overnight Financing Rate
SONIA	Sterling Overnight Index Average
SREP	Supervisory review and evaluation process
STAK	Stichting Administratiekantoor
STI	Short-Term Incentive
TC	Transaction Committee
TCFD	Taskforce for Climate-related Financial Disclosures
The Foundation	NIBC Holding
TLTRO II	Targeted Longer Term Refinancing Operation
TMT&S	Telecom, Media, Technology & Services
TPR	Temporary Permissions Regime
TTC	Through-the-cycle
UNGC	United Nations Global Compact
UNGP	UN Guiding Principles for Business and Human Rights
VaR	Value at Risk
Wbfo	Wet beloning financiële ondernemingen
WEW	Stichting Waarborgfonds Eigen Woningen (Social Housing Guarantee Fund)