Half Year Results 2018

Paulus de Wilt, CEO
Herman Dijkhuizen, CFO
Reinout van Riel, CRO

Moving Ahead – 29 August 2018

Business Update H1 2018

Paulus de Wilt
Chief Executive Officer

Moving Ahead

First half of 2018: delivering as promised

Comments

- Operating income up 18% to EUR 254 million from EUR 216 million in H1 2017
- Cost-to-income ratio improved to 47%, including EUR 8 million of costs related to the IPO
- Impairments 34% lower at EUR 21 million, compared to EUR 32 million in H1 2017

- Strong net profit H1 2018 of EUR 84 million (+40%) compared to EUR 60 million in the first half of last year
- Return on Equity (ROE) improved to 10.5%, in line with our medium term objectives

- Fully loaded CET 1 ratio increased from 16.1% on 1 Jan 2018 (post-IFRS 9) to 16.4% per H1 2018
- Interim dividend increased by 19% to EUR 0.25 per share (H1 2017 EUR 0.21)

Metrics	Medium-term objectives[1]	H1 2018
Return on Equity *(Holding)*	10 - 12%	10.5%
Cost-to-income *(Holding)*	<45%	47%
CET1 *(Holding)*	>14%	16.4%
Dividend pay-out *(Holding)*	>50%	44%
Rating *(Bank)*	BBB+	BBB

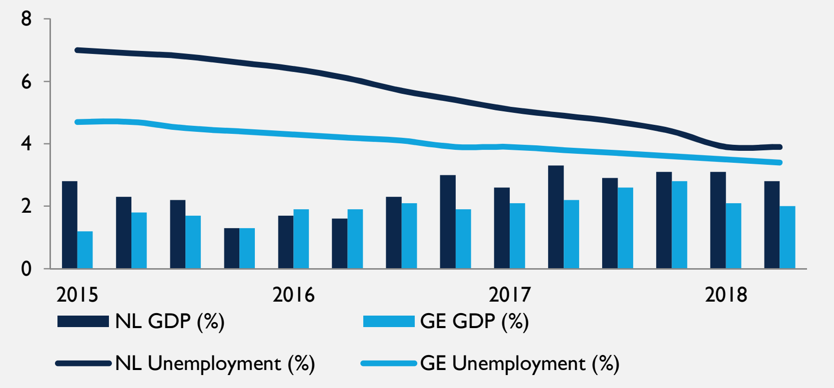
NIBC

Note: Financials for NIBC Holding as of H1 2018, unless otherwise stated. All comparison figures of H1 2017 exclude the results from Vijlma in H1 2017.
1. Medium-term objectives as announced on 8 February 2018 at the publication of FY2017 results, except for cost-to-income ratio (Bank)

The world around us

Positive trends in most indicators

Solid economic growth and declining unemployment in the Netherlands and Germany[1]



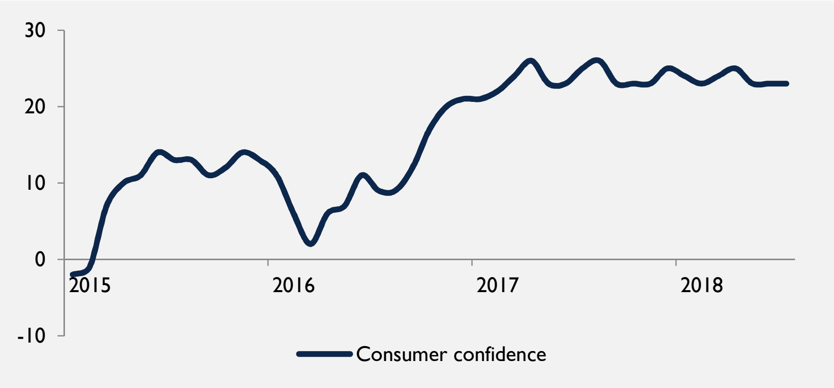
Dutch economy: strong fundamentals[3]

- International, highly competitive economy
- GDP: EUR 738 billion; GDP per capita: #5 in the EU

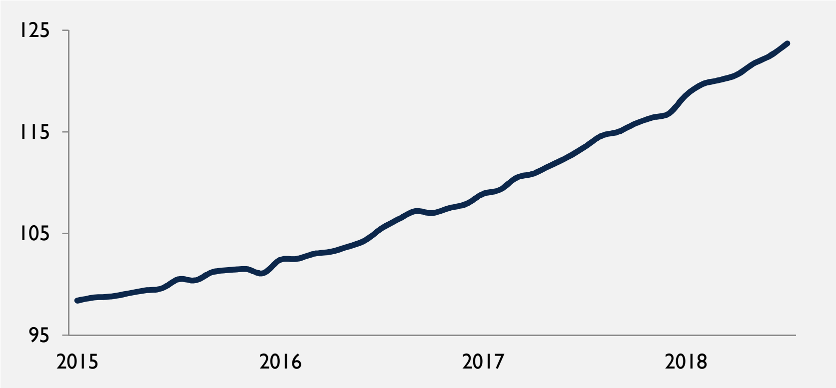
But international challenges remain…..

- Interest rate environment: low for longer
- Italian budgetary issues, Turkish economic policy
- Trade tensions, and uncertainty around Brexit continues

High Dutch consumer confidence level[2]



Strong house price recovery in the Netherlands (2015 = 100)[2]



1: Real GDP growth in percentage, y-o-y. Sources: Dutch Statistics Office (NL); German Federal Statistics Office (GE)
2: Source: Dutch Statistics Office
3: 2017 figures

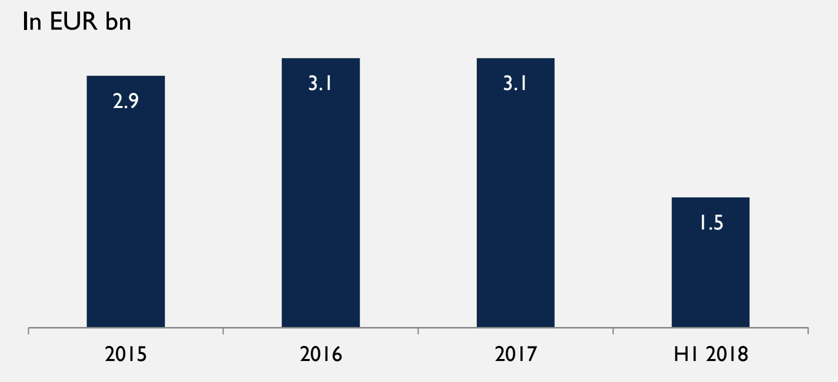
Corporate client offering

Strong asset growth in targeted sectors, whilst deliberately reducing certain exposure

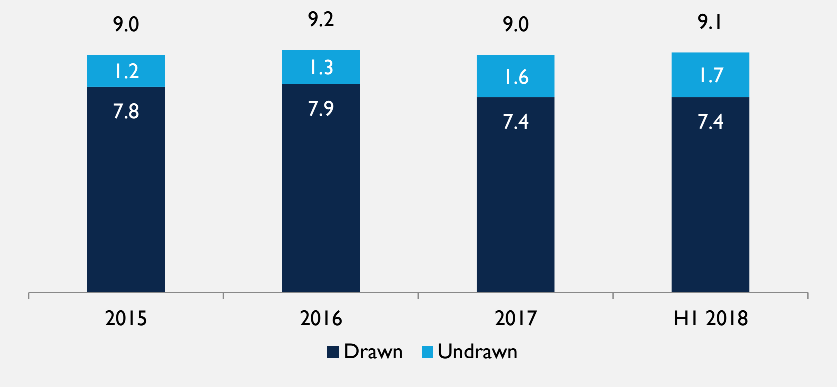
Comments

- Well diversified corporate client exposure of EUR 10.0bn
  - EUR 9.1bn corporate loans
  - EUR 345m lease receivables
  - EUR 218m investment loans
  - EUR 398m equity investments
- Corporate assets grew by 2% compared to FY 2017, fuelled by 4% increase in Receivable Finance, Leasing and Beequip
- Asset and Cash Flow financing portfolios deliberately reduced by 1%
- Continued high client satisfaction; strong Net Promotor Score (NPS) of +72%

Corporate loan origination



Corporate loan portfolio



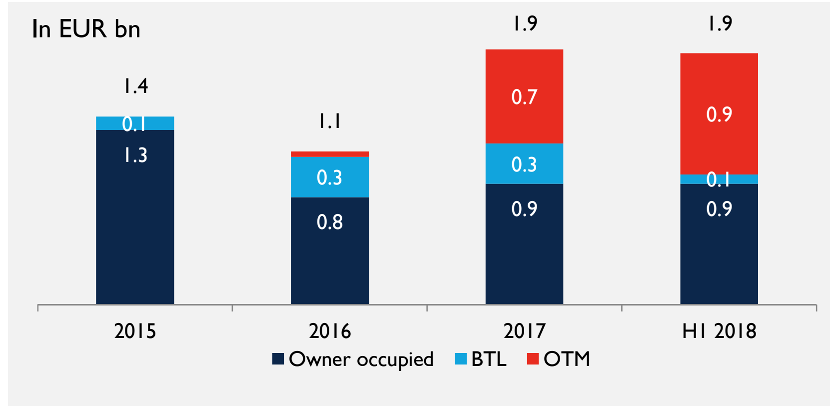
Retail client offering

Origination of mortgages almost doubled

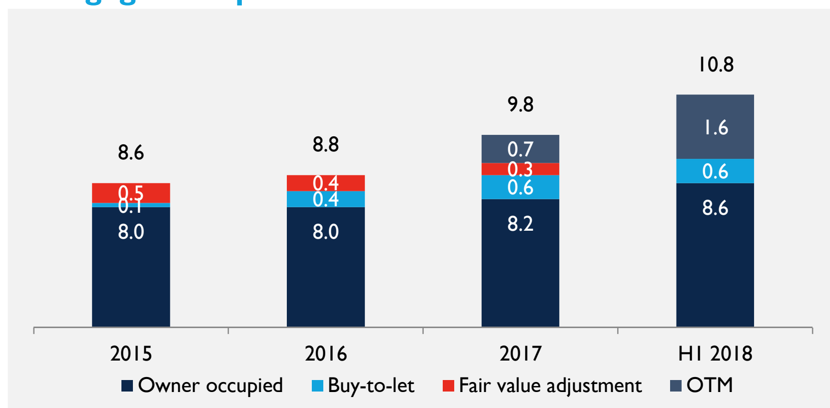
Comments

- Total mortgage origination nearly doubled reaching EUR 1.9bn in H1 2018 of which EUR 1.0bn for own book and EUR 0.9bn for Originate-to-Manage (OTM) mandate
- Origination of Buy-to-Let loans slowed as competition increased, offering higher LTVs at lower pricing
- Portfolio of on-balance mortgages grew with 5% to EUR 8.6bn
- OTM Mandate increased to EUR 3.3bn, of which EUR 1.6bn already executed
  - fee generating initiative leading to income diversification
  - flexibility to switch between on-balance sheet origination and OTM depending on market pricing
  - strengthens client franchise with 7,500 customers (+14%)

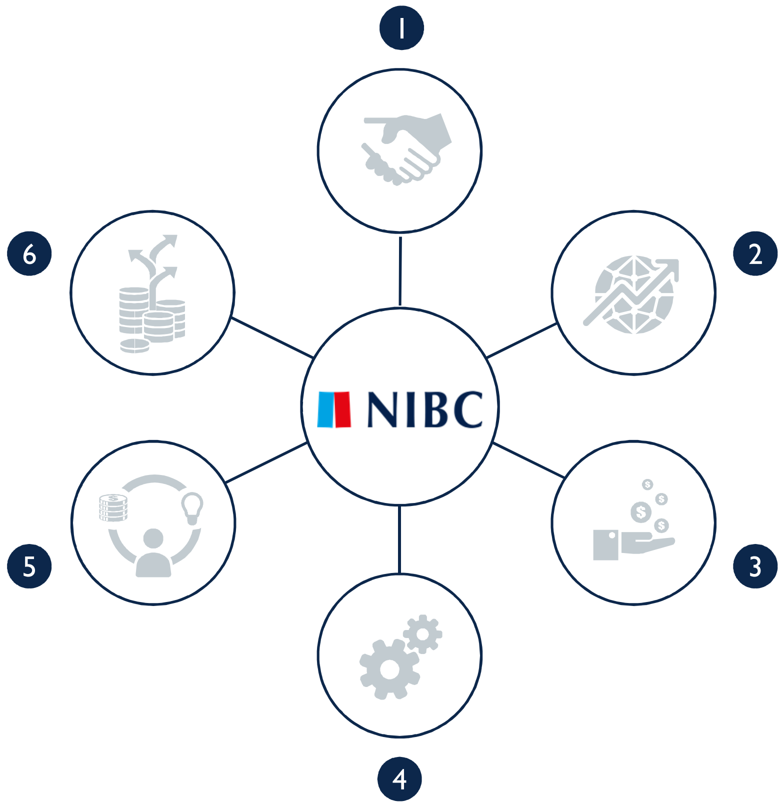
Mortgage origination



Mortgage loan portfolio



Our six strategic priorities



Continuous evolution of client franchise, expertise and propositions

- 2% growth in Corporate client assets
- 5% growth in Retail client assets, excluding OTM

Focus on growth of asset portfolio in core markets

- Beequip
- Receivable finance offering

Diversification of income

- Increased OTM mandate to EUR 3.3bn
- Successfully closed EUR 450m North Westerly V CLO

Building on existing agile and effective organisation

- Strategic partnerships with fintechs

Ongoing investment in people, culture and innovation

- IMD program for senior staff
- IMD follow-up review of global trends

Further optimisation of capital structure and diversification of funding

- Sustainably lowering funding costs
- Further RWA reduction
- CETI ratio 16.4%, well above mid-term objective

Moving ahead – Next steps towards investor community

- Going forward, we are actively increasing communications with all of our stakeholders
- International investor update schedule following H1 2018
- Analyst Briefing by the Managing Board in London on 6 September 2018
- Retail Investor Day on 19 September 2018 at our offices in The Hague, to allow retail investors to engage with management, and get an update on our H1 2018 results and the business
- As we are moving ahead and progressing well on achieving our mid-term objectives we will further update the market on a Capital Markets Day, early December 2018

Financial Update H1 2018

Herman Dijkhuizen
Chief Financial Officer

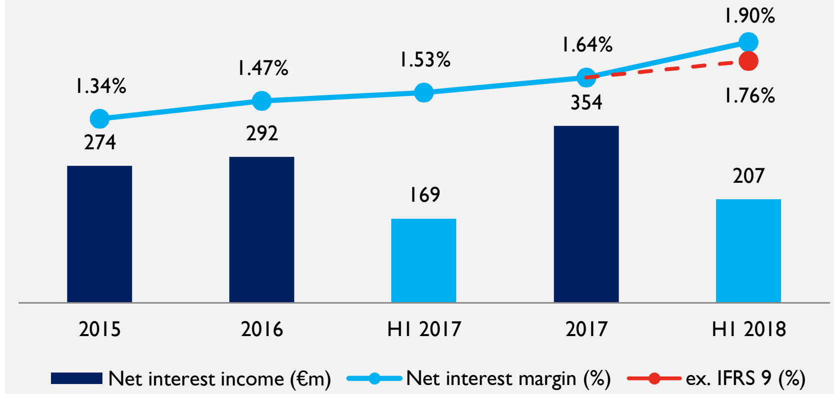
Net interest income

Continued improvement of net interest margin

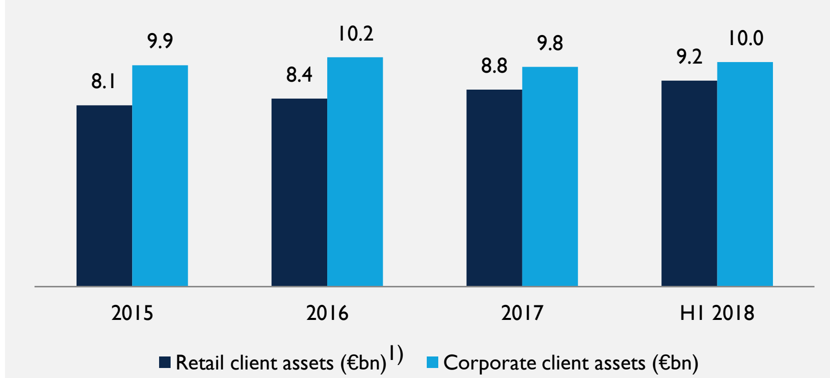
Comments

- Net interest income increased by 22% to EUR 207 million in H1 2018 from EUR 169 million in H1 2017 driven by:
  - a strengthened funding profile, with a lower average funding spread of 13 basis points
  - a 3% higher average mortgage loan portfolio
  - partially compensated by the impact from a lower average corporate loan portfolio
  - marginally lower average spreads on the corporate and mortgage loan portfolios
- Net interest margin improved significantly fueled by both lower funding costs (of which EUR 12 million relates to improved funding spreads) and an IFRS 9 effect of EUR 28 million

Net interest margin & net interest income



Retail and corporate client assets



1) Retail client assets in 2015-2017 exclude the pre-IFRS9 fair value adjustment on mortgage loans

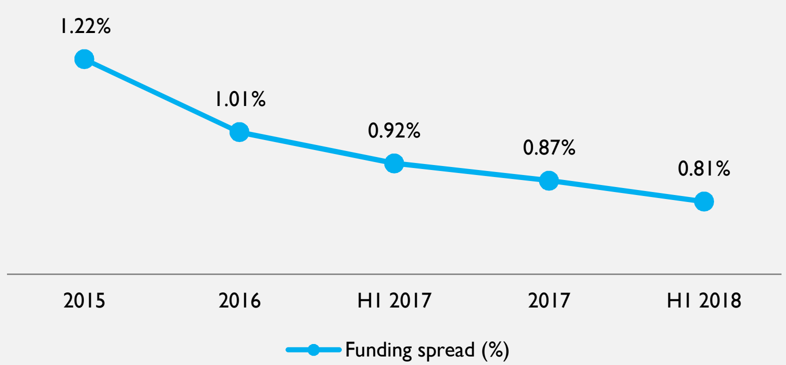
Note: Financials for NIBC Holding, 2017 figures exclude Vijlma

Portfolio and funding spreads

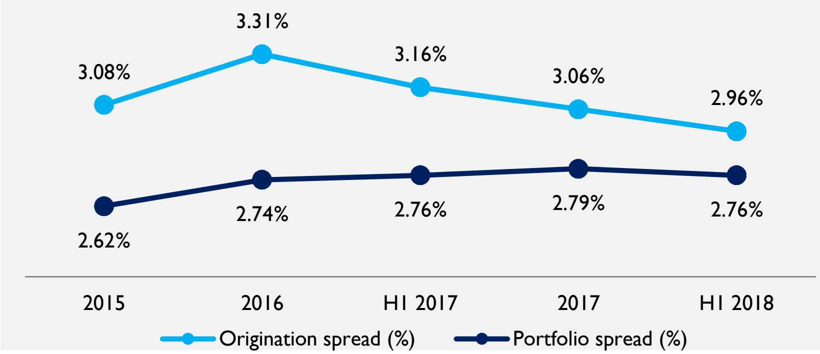
Continued tightening of spreads for both assets and funding

Comments

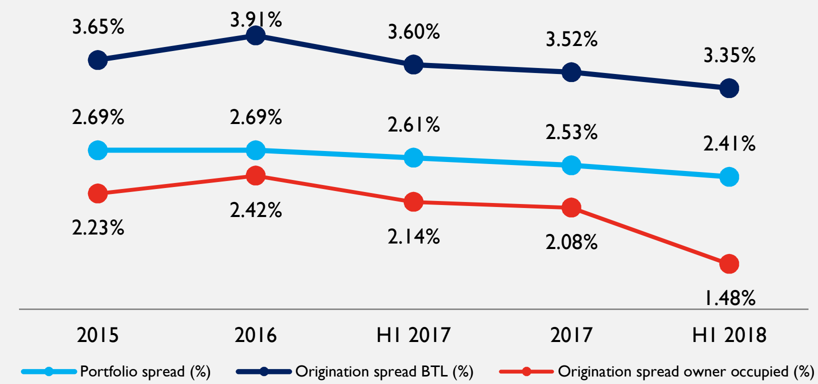
- Spreads on corporate loans and especially in the mortgage market are under pressure, displaying origination spreads in H1 2018 at lower levels than in 2017
- Markets are therefore more challenging, with - in our view - certain risks not always being correctly priced into the current yield curves
- We continued to decrease the average funding rate in H1 2018, driving a further increase of net interest income and margin
- We also benefited from favorable market circumstances to further increase the average maturity in our wholesale funding



Corporate loan portfolio spreads



Retail asset spreads



Note: Financials for NIBC Holding, 2017 figures exclude Vijlma. Spreads reflect spreads above the 3 month euribor base rate

Net fee and commission income

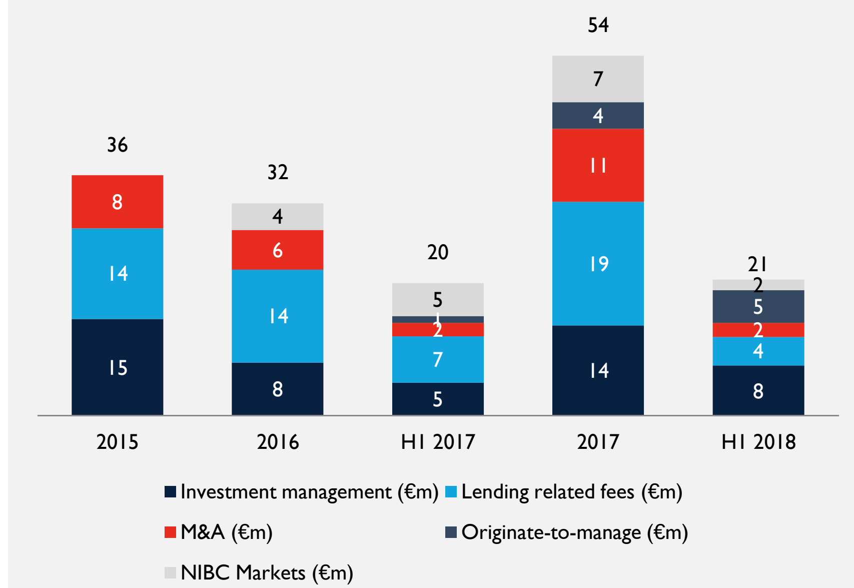
Solid fee base going forward

Comments

- Net fee and commission income increased by 5% from EUR 20 million in H1 2017 to EUR 21 million in H1 2018:
  - Originate to manage fees increased from EUR 1 million in H1 2017 to EUR 5 million in H1 2018
  - The growth of investment management fees from EUR 5 million in H1 2017 to EUR 8 million in H1 2018 was fueled by higher performance fees from NIBC's fund management activities
  - Lending related fees decreased in H1 2018 to EUR 4 million, coming from EUR 7 million in H1 2017. This development mainly relates to lower structuring, underwriting and arrangement fees, as well as from a limited impact from IFRS9
  - M&A fees remained stable in H1 2018 at EUR 2 million (H1 2017: EUR 2 million)
  - Fees from NIBC Markets decreased from EUR 5 million in H1 2017 to EUR 2 million in H1 2018, reflecting the discontinuation of selected activities during 2017

- Net fee and commission income doesn't include potential M&A fees related to HSH Nordbank, a transaction that is expected to close in H2 2018 after the consortium receives various regulatory approvals

Net fee and commission income



Note: Financials for NIBC Holding, 2017 figures exclude Vijlma

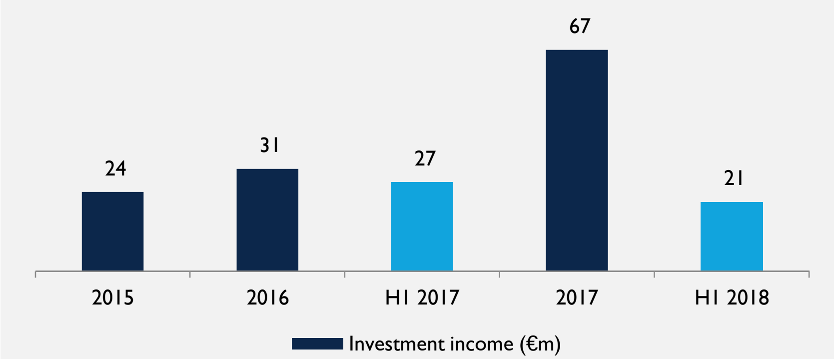
Investment income

Continued strong performance

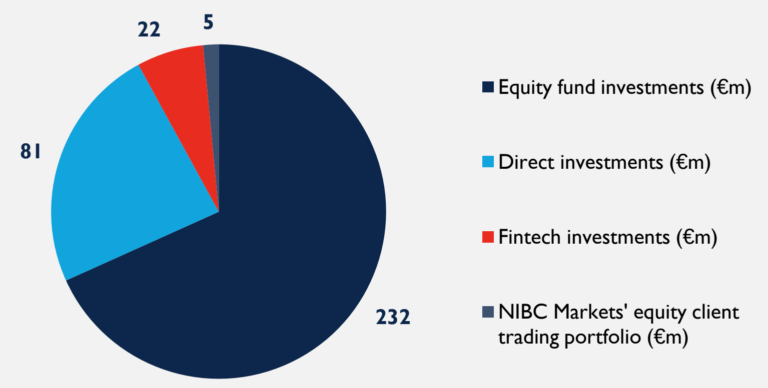
Comments

- The portfolio displayed continued strong performance on the back of the positive economic environment in North Western Europe:
  - Investment income of EUR 21 million in H1 2018 reflects an annualised return on assets for the period of nearly 13%
  - EUR 7 million (33%) relates to cash income from dividends and from exits. For investment income of EUR 67 million for the full year 2017 this cash income percentage amounted to 28%
- The on balance sheet equity investment portfolio increased by 2% to EUR 340 million in H1 2018:
  - Equity fund investments relate to investments in equity funds in which NIBC is general partner (GP), co-founder, cornerstone investor or a combination of these roles
  - The portfolio figures exclude NIBC's commitment to acquire a stake of 5% for an amount of EUR 56 million in HSH Nordbank, a transaction that is expected to close in H2 2018
- As a result of several recently announced transactions and exits that are anticipated to close in H2 2018, we are confident that investment income will remain strong in the coming period

Investment income



Equity investment portfolio



Note: Financials for NIBC Holding, 2017 figures exclude Vijlma

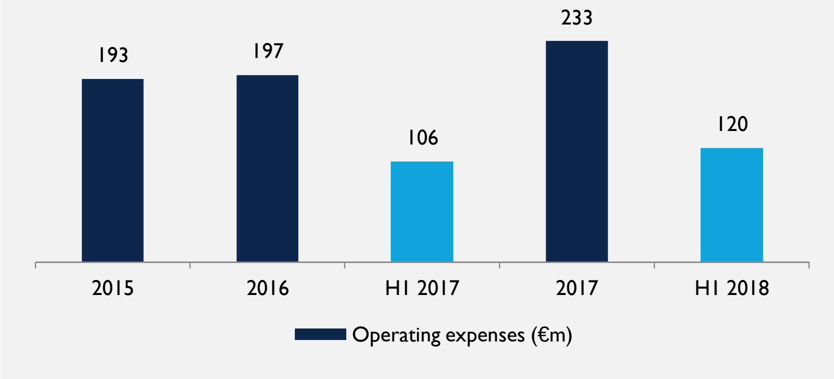
Operating expenses

Improvement of cost/income, allows us to continue investing in innovation and product development

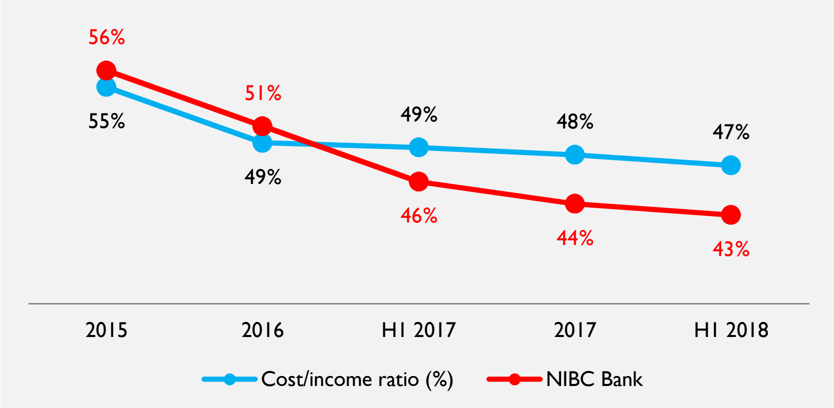
Comments

- Operating expenses in H1 2018 include:
  - expenses of EUR 8 million related to the IPO
  - one-off expenses of EUR 4 million related to exerting property management and managing the legal and administrative structure with respect to Vijlma
- Excluding the IPO and Vijlma expenses mentioned above, operating expenses increased by EUR 2 million (+2%) in H1 2018 compared to H1 2017
- The cost/income ratio improved from 49% in H1 2017 and 48% for the full year 2017 to 47% in H1 2018
- The cost/income ratio of NIBC Bank displayed a steeper decrease, considering that the IPO expenses and Beequip (which as a start-up still has a relatively high cost/income ratio) are included at Holding level

Evolution of operating expenses



Cost/income ratio



Note: Financials for NIBC Holding, 2017 figures exclude Vijlma

Cost of risk

Improved average credit quality leading to a further decrease of cost of risk

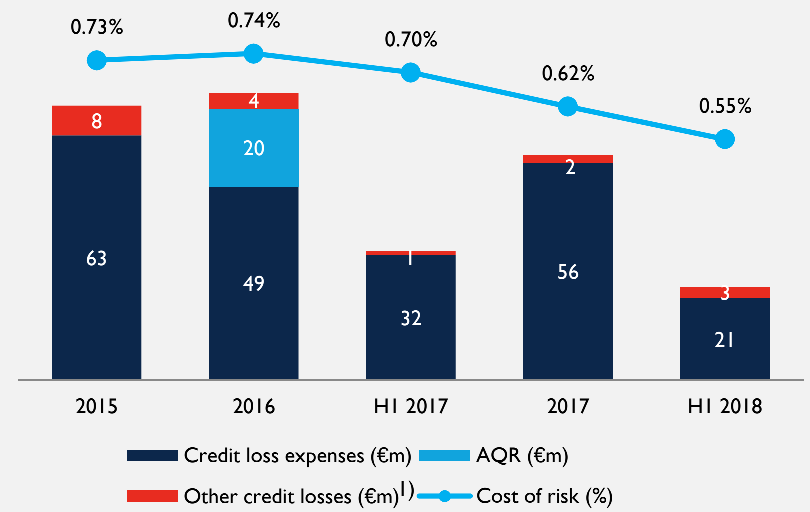
Comments

- Credit losses of EUR 24 million in H1 2018 decreased by 27% compared to EUR 33 million in H1 2017:
  - The overall development in the corporate loan portfolio displays an improved average credit quality, although the total credit loss expense is still elevated
  - Origination of corporate loans in H1 2018 was at a lower expected loss (EL) than the average EL at 30 June 2018 of the portfolio
  - The mortgage loan portfolio displays a solid performance with almost nil credit loss expense
  - Origination of mortgage loans in H1 2018 was at a lower EL and PD than the average EL and PD at 30 June 2018 of the portfolio
- In H1 2018 the cost of risk decreased to 0.55% compared to the full year 2017 level of 0.62% (mainly reflecting NIBC's active steering of RWAs)

<u>Impact IFRS 9 on credit impairments</u>

Following the implementation of IFRS 9 on 1 January 2018, the methodology for impairments of financial assets changed from an 'incurred loss' to an 'expected credit loss (ECL)' impairment model. The impact on 1 January 2018 was a EUR 22 million higher level of loan loss provisions, resulting in a negative transition impact of 0.2%-points on NIBC's CET 1 ratio

Credit losses



1) 2015-2017 other credit losses mainly reflect losses on FVtPL mortgages and for 2018 a loss on a corporate loan at FVPL

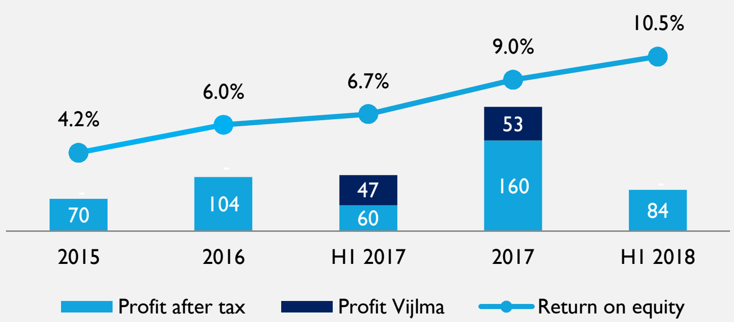
Note: Financials for NIBC Holding, 2017 figures exclude Vijlma

Income statement

Continued improvement of profitability in H1 2018

Comments

- Profitability improved further in H1 2018 (excluding the result on Vijlma in 2017) compared to H1 2017:
  - profit after tax attributable to the shareholders of the company increased by 40% to EUR 84 million
  - return on equity (ROE) increased by 57% to 10.5% compared to 6.7% in H1 2017
  - the ROE of H1 2017 was based on the pre-IFRS 9 equity base, which was substantially higher
- The profitability improvement in H1 2018 follows the substantial improvement made in 2017
- The development of net profit in H1 2018 is mainly driven by an increase of net interest income and improved cost of risk, whilst managing operating expenses
- Operating expenses include EUR 8 million IPO costs



	IFRS 9 H1 2018	IAS 39 H1 2017	IAS 39 H1 2017 ex. Vijlma	H1 2018 vs. H1 2017 ex. Vijlma (%)
Net interest income	207	167	169	22%
Net fee and commission income	21	20	20	5%
Investment income	21	27	27	-22%
Other income	5	68	-	
Operating income	**254**	**282**	**216**	**18%**
Personnel expenses	53	55	55	-4%
Other operating expenses	55	41	39	41%
Depreciation and amortisation	3	3	3	0%
Regulatory charges	9	9	9	0%
Operating expenses	**120**	**108**	**106**	**13%**
Net operating income	**134**	**174**	**110**	**22%**
Credit loss expense / (recovery)	21	33	32	-34%
Tax	23	34	18	28%
Profit after tax	**90**	**107**	**60**	**50%**
Profit attributable to non-controlling shareholders	6	-	-	
Profit after tax attributable to shareholders of the company[1]	**84**	**107**	**60**	**40%**

Note: Financials for NIBC Holding, 2017 figures exclude Vijlma

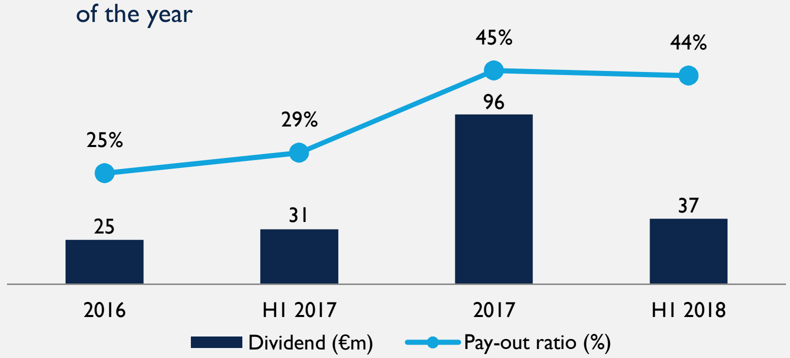
1) The difference between 'Profit after tax attributable to shareholders of the company' and 'Profit after tax' concerns the portion of profit after tax attributable to investors in our AT1 transaction

Capital and dividend

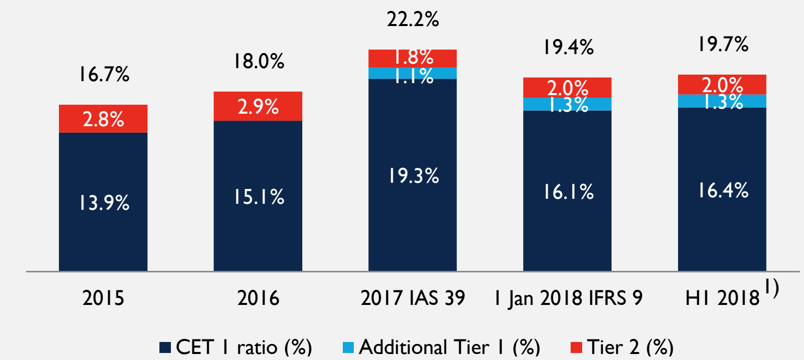
Solvency ratios provide strong base to pay dividends

Comments

- The solvency ratios at 30 June 2018 are comfortably above the required SREP-levels set by DNB for NIBC in July 2018
- The CET1 ratio of 16.4% is well above the medium term objective of 14%, enabling:
  - the pay-out of solid dividends
  - future growth of our business
  - NIBC to be well prepared for Basel IV
- The proposed interim dividend pay-out of EUR 0.25 per share:
  - reflects a pay-out of EUR 37 million or 44%
  - reflects an increase of 19% compared to EUR 0.21 interim dividend per share at H1 2017
  - is well on track to reach at least 50% dividend pay-out by the end of the year



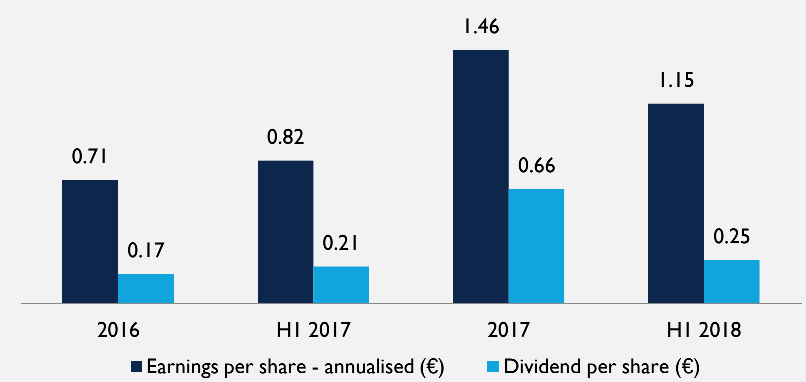
Solvency ratios *(fully loaded)*



Impact IFRS 9 on solvency

The reduction of capital following the transition to IFRS 9 on 1 January 2018 led to a reduction of NIBC's fully loaded solvency ratios by 3.2%-points

Earnings per share and dividend per share[2)]



NIBC

Note: Financials for NIBC Holding

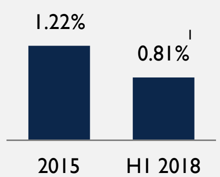
1) As NIBC's commitment to acquire a stake of 5% for an amount of EUR 56 million in HSH Nordbank is irrevocable, the committed amount is included in the calculation of the RWAs and therefore of the CET 1 ratio at 30 June 2018. The impact on the CET 1 ratio is -0.4%.

2) H1 2018 figures based on Interim dividend pay-out proposal.

Continued improvement of earnings and ROE…
… alongside a strong capital base

Improving cost of funding

Cost of funding



- Strong and diverse funding profile
- Benefiting from current environment to increase maturity of whole sale funding

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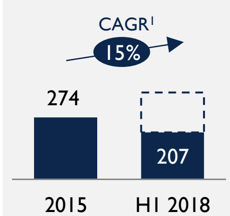
Increase in net interest income

Total net interest income
€m



- Improving net interest margin

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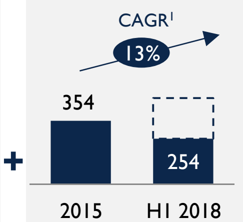
Growing total income

Total operating income
€m



- Fuelled by a diverse set of income drivers

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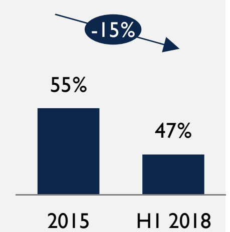
Lean organisation

Cost/income



- Operating leverage
- Flexibility to invest in innovation and product development

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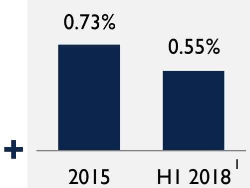
Prudent risk management

Cost of risk[2]



- Steering to lower risk portfolios
- Active management of RWA's
- Risk DNA and employee accountability

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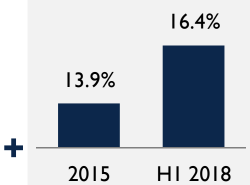
Strong capital position

CET1 ratio
Holding



- Strong capital position after full absorption of IFRS 9, supports:
- dividend pay-outs
- future transition to Basel IV

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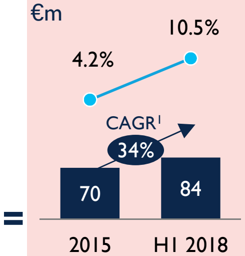
Significant improvement in earnings and ROE

ROE and net profit
€m



→ Efficient operating model supporting:

- return on equity improvement
- future growth

Note: Financials for NIBC Holding excluding Vijlma in 2017.
1: H1 2018 annualised. CAGR based on H1 2017 annualised and assuming 3 year period. Spreads above base rate.
2: Credit loss expense and other credit losses / average total RWA.

H1 2018 annualised

Q&A

Moving Ahead
29 August 2018

Annex

Focused mid-market corporate and retail franchise with differentiated approach

Our business model

Corporate client offering	Retail client offering
▪ Focus on mid-market corporate clients ▪ Focus on specific products across broad spectrum from advising, structuring, and financing to co-investing across debt and equity	▪ Mortgages ranging from owner-occupied to buy-to-let ▪ Focus on entrepreneurs and small businesses ▪ Online savings
€10.0bn client exposure	**€9.2bn client exposure**
Typical ticket size: €10-50m	**Typical ticket size: €100k-2.5m**

Key indicators

- **€21.8bn** Total assets
- **€84m** Net profit
- **686** FTE
- **+72%** NPS[1]
- **47%** Cost-to-income ratio

Our differentiated approach

- **Client oriented** franchise present at **clients' decisive moments**
- **No flow business, no current accounts** offered and **no branch network**
- Focus on **profitable products in client-led (sub)sectors**
- **Corporate portfolio size** and **limited number of clients** allow **complete insight and overview**
- **Efficient, entrepreneurial** and **agile** culture, driven by THINK **YES** approach

NIBC

Note: Financials for NIBC Holding as of H1 2018, unless otherwise stated.
1: Net Promoter Score (NPS) measures the willingness of customers to recommend a company's products or services to others based on speed, pricing, quality of advice and deep sector and financial knowledge. Based on Corporate Bank products only.

Actively anticipating trends and adapting our current offering to the future

New Products

Developing future revenue generators

- Buy-to-let mortgages (2015)
- Receivables Financing offering
- Mezzanine & Equity offering

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Partnering

Leveraging platform and generating fees

- Introduction of "originate-to-manage" offering with international insurer (2016) with increased mandate to € 3.3bn (2018)
- Agreement with EIB guaranteeing loans up to €500m (2017)
- Establishment Rotterdam Port Fund (2016)
- Dutch Growth facility (2013)

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Innovation

Facilitating and investing in FinTech businesses:

- Netherlands: BEEQUIP Majority stake *(founding partner)* (2015)

… and strategic partnerships:

- Germany: FinLeap (2017)
- UK: Ebury (2017)

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Acquisitions

Strengthening footprint in Germany

- NIBC Bank Deutschland AG (2014)

Broadening product offering

- SNS Securities (2016) – capital markets offering focused on small and mid-cap corporates
- €0.2bn acquisition of mortgage portfolio (Q3 2017)

Balance sheet

Comments

- Corporate loan portfolio (including lease receivables):
  - increase by 1% in H1 2018;
  - new origination was nearly fully offset by pre- and repay-ments;
  - origination in H1 2018 was in line with the H1 2017 figure of EUR 1.5 billion, of which roughly 50% undrawn.
- Mortgage loan portfolio:
  - growth of 5% in H1 2018 ;
  - origination for own book of EUR 0.9 billion in H1 2018 (H1 2017: EUR 0.6 billion).
- Derivative balances continued to decrease in H1 2018, after the significant decrease in 2017. The decrease in 2018 predominately relates to market developments

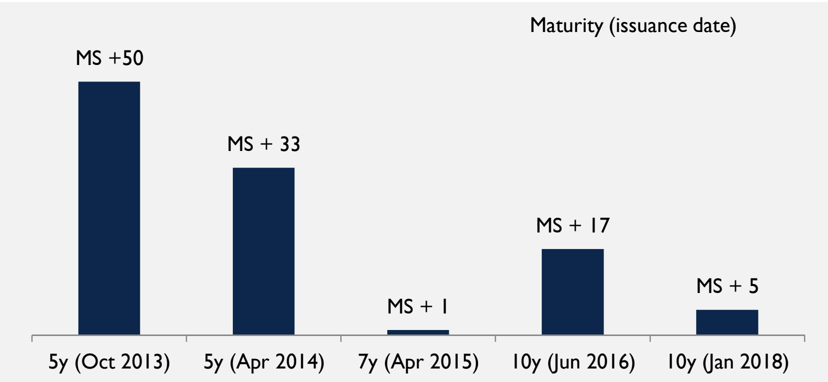
	H1 2018	2017	2016	2015
Assets				
Cash and banks	2,430	2,569	2,386	2,512
Loans	7,382	7,398	7,818	7,397
Lease receivables	315	256	236	212
Mortgage loans	9,381	9,332	9,020	8,767
Debt investments	828	913	1,375	1,377
Equity investments	340	330	252	277
Derivatives	828	1,021	1,811	2,141
All other assets	269	329	597	470
Total assets	**21,774**	**22,148**	**23,495**	**23,153**
Liabilities and equity				
Retail funding	9,205	9,307	9,721	10,016
Funding from securitized mortgage loans	0	267	1,337	2,062
Covered bonds	2,515	2,008	2,028	1,513
ESF	1,214	1,350	1,230	1,127
All other senior funding	5,781	5,725	4,673	3,786
Tier 1 and subordinated funding	288	283	398	400
Derivatives	761	863	2,006	2,356
All other liabilities	139	225	281	158
Total liabilities	**19,903**	**20,027**	**21,675**	**21,418**
Equity attributable to shareholders of the company	1,669	1,915	1,817	1,735
Capital securities (non-controlling interest)	200	203		
Equity attributable to non-controlling interests	2	3	3	
Total liabilities and shareholders' equity	**21,774**	**22,148**	**23,495**	**23,153**

Note: Financials for NIBC Holding

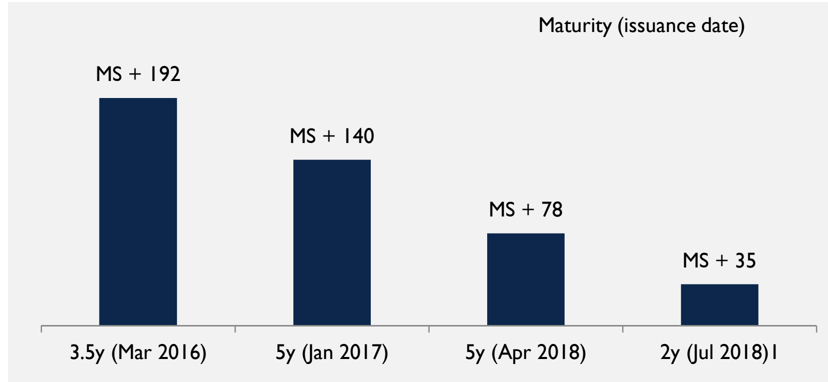
Funding and liquidity

Strong liquidity position

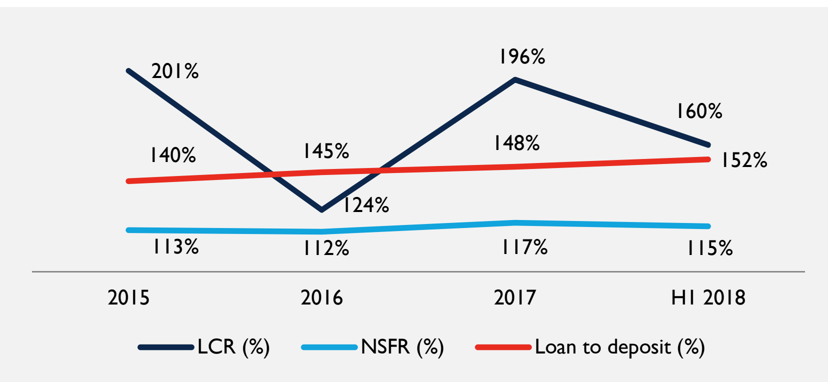
Spread development covered bond benchmarks



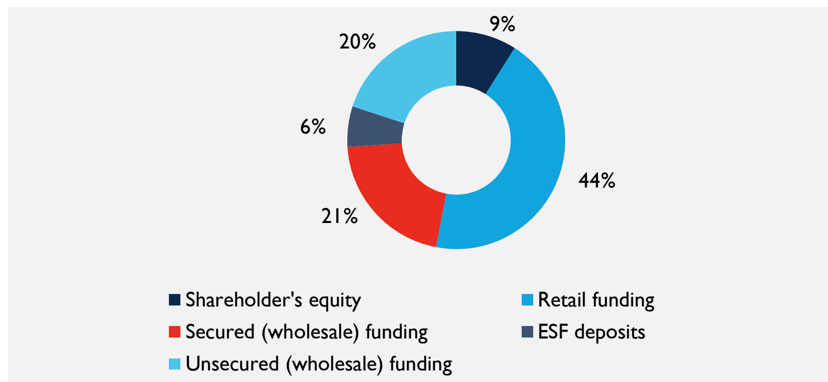
Spread development senior unsecured benchmarks



LCR, NSFR and loan-to-deposit ratio



Funding composition H1 2018



Note: Financials for NIBC Holding
1: EUR 300 million FRN, sub benchmark transaction

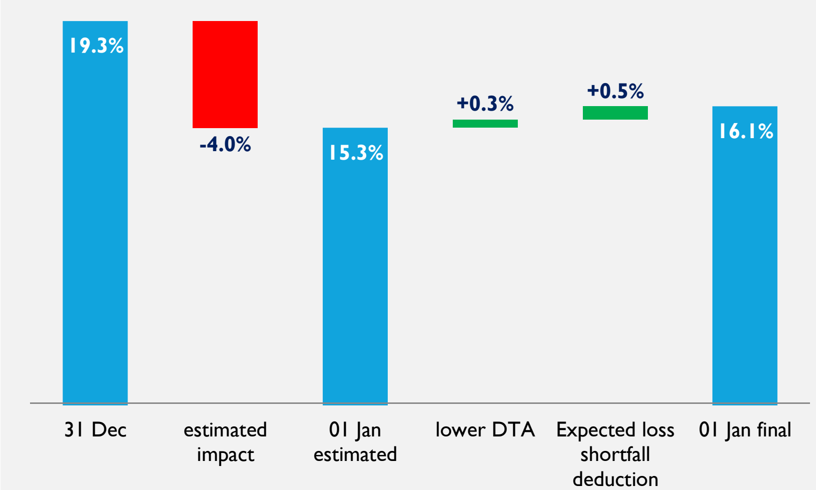
IFRS9 transition impact 1 January 2018

Revisiting what we estimated in our Annual Report 2017

Comments

- In the Annual Report 2017 we estimated that the reduction of capital following the transition to IFRS 9 as at 1 January 2018 would lead an impact on the fully loaded CET1 ratio of -4.0%-points, from 19.3% at 31 December 2017 to 15.3% at 1 January 2018
- In the H1 2018 Interim Report we now display an impact on the CET1 ratio of -3.2% at 1 January 2018, leading to a CET1 ratio at this date of 16.1% instead of 15.3%. The lower impact from IFRS9 is mainly driven by the following:
  - The impact on the increase of the deferred tax asset (DTA) is smaller than assumed previously;
  - IFRS9 leads to a substantial reduction of the 'Shortfall of Provisions compared to Expected Loss' in the solvency calculation, which was not taken into account previously

IFRS9 transition impact 1 January 2018



Note: Financials for NIBC Holding, 2017 figures exclude Vijlma