CONDENSED INTERIM REPORT 2018
NIBC HOLDING N.V.

NIBC

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

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

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

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

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AT A GLANCE

WHO WE ARE

OUR HERITAGE

NIBC was founded in 1945 to finance the visionary entrepreneurs who helped rebuild the Netherlands after World War II. Over time, we evolved into an enterprising bank offering financing, advisory, and co-investing solutions to our clients. After the 2008 financial crisis, we reinvented ourselves: being flexible and agile, with a THINK YES mentality to match our clients' can-do attitude. We have seen many milestones since, with the launch of NIBC Direct and BEEQUIP, the acquisitions of Gallinat Bank in Germany and SNS Securities, now NIBC Deutschland AG and NIBC Markets respectively, and more recently our steps into the fintech space by acquiring minority stakes in Ebury and FinLeap. We have continued to build on our entrepreneurial DNA to become the company we are today: best suited to help entrepreneurs at their decisive moments. Now and in the future.

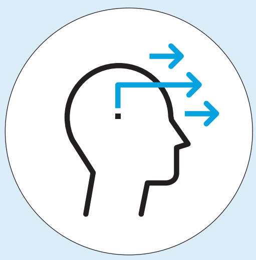
OUR PURPOSE

Making a difference
at decisive moments

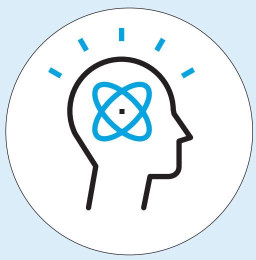
OUR VALUES

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

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



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



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

WHAT WE DO

OUR BUSINESS MODEL

We operate a focused mid-market corporate and retail client franchise, with a differentiated approach, bringing bespoke financial solutions to clients in chosen sectors where we can add most value. We are client-oriented, present at their decisive moments. We offer a broad and relevant product suite for these entrepreneurial clients in chosen subsectors. In the absence of flow business, current accounts and a branch network, which allow for client intimacy, we have complete insight and overview.

CORPORATE 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

€10.0bn client exposure

Typical ticket size: €10-50m

RETAIL CLIENT OFFERING

- Mortgages ranging from owner-occupied to buy-to-let
- Focus on entrepeneurs and small businesses
- Online savings

€9.2bn client exposure

Typical ticket size: €100k-2.5m

TREASURY & ASSET LIABILITY MANAGEMENT

In our treasury function and management of our balance sheet we have a strong focus on interest, liquidity and capital risks. There is a close cooperation between Treasury and Risk Management, and also with the operations to ensure that NIBC's overall risk appetite is aligned with its strategy and capital requirements.

RISK MANAGEMENT / CORPORATE CENTRE

Our organisation is supported by a strong Corporate Centre consisting of HR & Corporate Communications, Internal Audit, Legal, Compliance, Sustainability, Operations & Facilities, Technology, Finance & Tax and Strategy & Development.
Our risk and portfolio management is the cornerstone of our sustainable growth strategy. Our risk management framework helps us implement and carry out our strategy, and provides guidance with regards to client interests, product suitability and compliance with laws and regulations. Risk management is fully integrated into our planning and control cycle and our day-to-day business activities. Our medium scale, combined with the close proximity and collaboration between colleagues and clients gives us the capacity to keep moving forward as a business while we comply with evolving regulatory requirements.

INNOVATION

We have the agility and ability to anticipate trends and adapt our offering to the future. We facilitate and invest in FinTech businesses and enter into strategic partnerships which include:

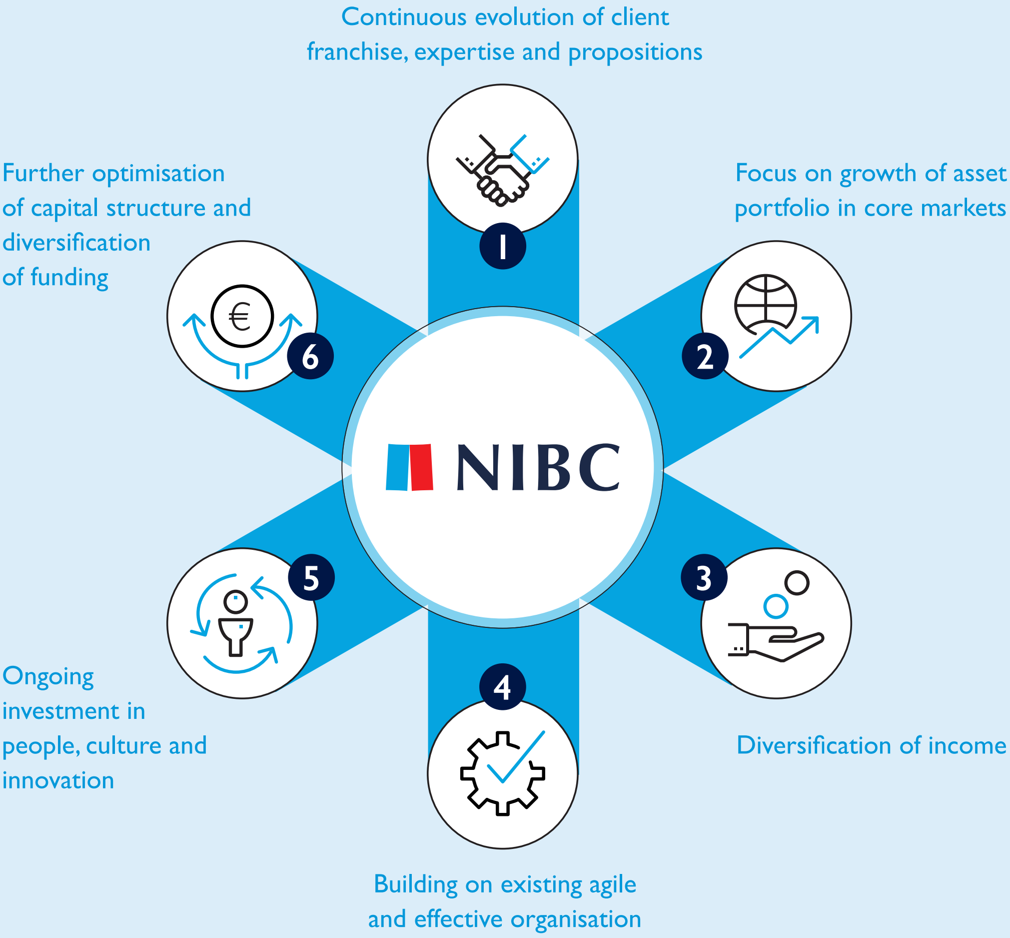
BEEQUIP
Netherlands

FinLeap
Germany

Ebury
UK

OUR KEY STRATEGIC PRIORITIES

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

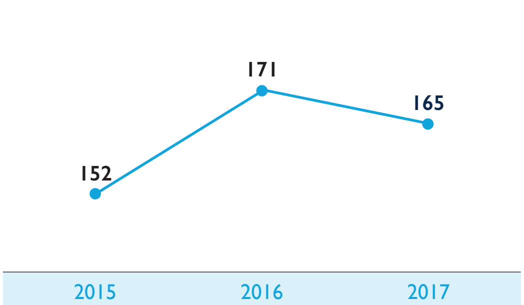


1. We strive for **continuous evolution of our client franchise, expertise and propositions;**
2. We aim to **grow our asset portfolio in core markets** by focusing on profitable niches and (sub)sectors in North-western Europe – where we can leverage our local expertise and market positions;
3. We aim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

NON FINANCIAL HIGHLIGHTS[1]

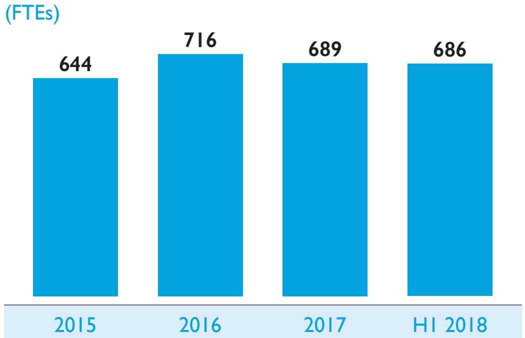
Transparency Benchmark 2017

total out of 200 points

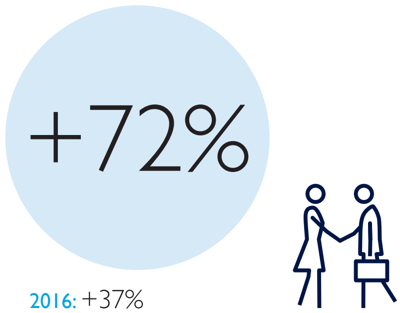


Number of employees

(FTEs)

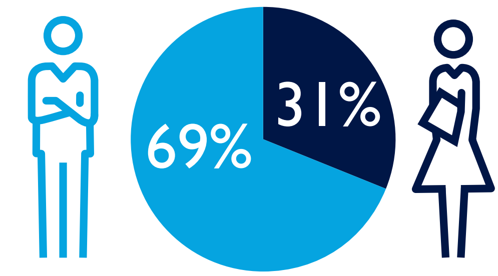


Corporate lending NPS score H1 2018



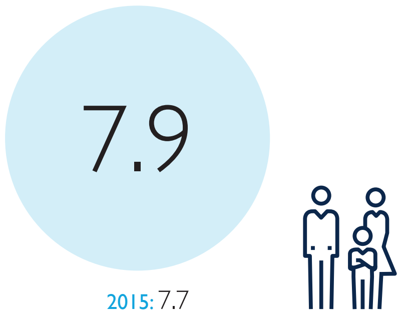
2017: +64% 2016: +37%

Male female ratio H1 2018



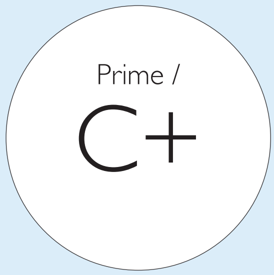
2017: 70 / 30 2016: 73 / 27

NIBC Direct Customer Survey score 2017



2016: 7.6 2015: 7.7

Sustainability rating H1 2018[1]

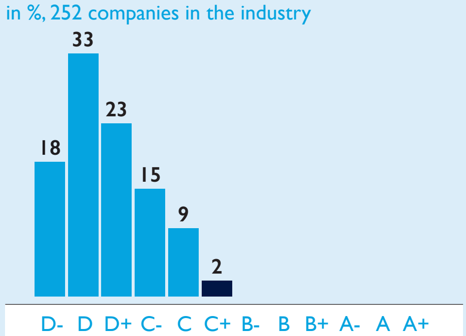


2017: Not Prime / C- 2016: Not Prime / C-

1 Rating by oekom research

Distribution of sustainability rating

in %, 252 companies in the industry

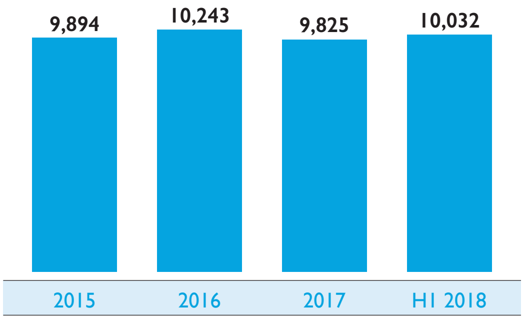


1 Some information is only available for full year.

FINANCIAL HIGHLIGHTS[1]

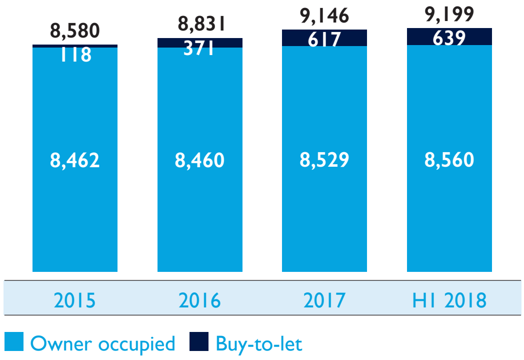
Corporate client assets

in EUR millions



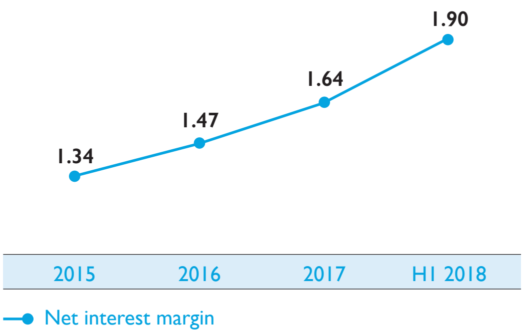
Retail client assets

in EUR millions



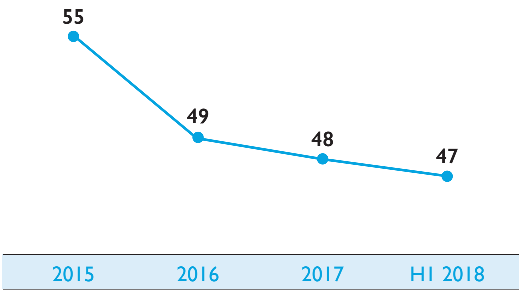
Net interest margin

in %



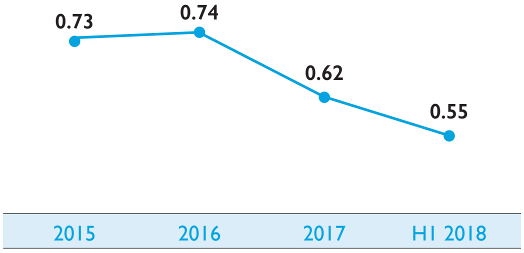
Cost/income ratio

in %



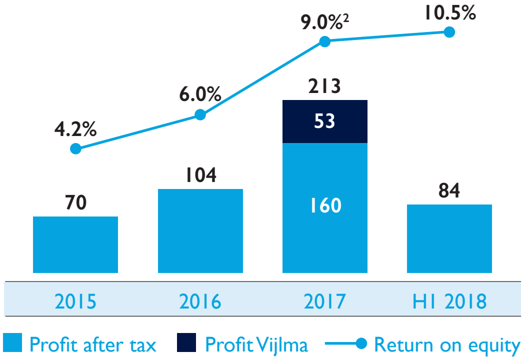
Cost of Risk

in %



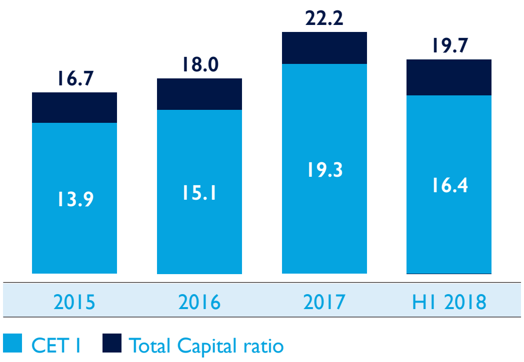
Profit after tax attributable to shareholders and Return on equity

in EUR millions



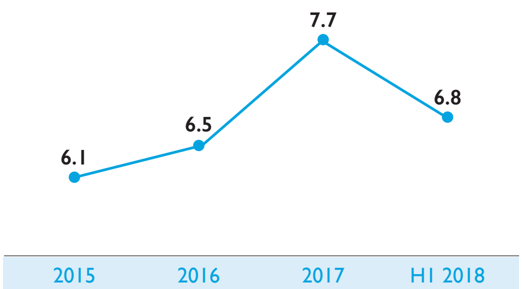
Solvency ratios

in %



Leverage ratio

in %



1 The numbers for 2015, 2016 and 2017 are based on IAS 39 accounting treatment whereas H1 2018 is based on the application of IFRS 9.

2 Return on equity is excluding Vijlma.

KEY FIGURES

	IFRS 9 H1 2018	IAS 39 ex. Vijlma 2017	IAS 39 2017	IAS 39 2016	IAS 39 2015
Earnings					
Operating income	254	473	559	398	354
Operating expenses	120	229	233	197	193
Profit after tax	90	163	216	104	70
Profit after tax attributable to shareholders	84	160	213	104	70
Cost/income ratio[1]	47%	48%	42%	49%	55%
Net interest margin[1/2]	1.90%	1.64%	1.60%	1.47%	1.34%
Return on equity[1]	10.5%	9.0%	11.9%	6.0%	4.2%
Return on assets	0.76%	0.68%	0.91%	0.45%	0.30%
Earnings per share basic – annualised	1.15	1.10	1.46	0.71	0.48
Earnings per share diluted – annualised	1.15	1.10	1.46	0.71	0.48
Dividend pay-out ratio[1/3]	44%	n.a.	45%	25%	0%
Dividend per share[3]	0.25	n.a.	0.66	0.17	
Price/earnings ratio	6.16				
Price/book ratio	0.70				

1 Items are Alternative Performance Measures (APM). The calculations of those items are explained in the APM section
2 H1 2018 NIM calculated using the H2 2017 interest income excluding Vijlma
3 Ratios based on interim dividend pay-out proposal

	IFRS 9 H1 2018	IFRS 9 1 Jan 2018	IAS 39 2017	IAS 39 2016	IAS 39 2015
Corporate & retail client offering					
Corporate client assets (drawn & undrawn):					
Commercial Real Estate (CRE)	1,328	1,310	1,310	1,095	1,022
Food, Agri, Retail & Health (FAR&H)	1,281	1,216	1,216	1,149	896
Industries & Manufacturing (I&M)	1,508	1,430	1,430	1,364	1,266
Infrastructure & Renewables (I&R)	1,435	1,595	1,595	1,618	1,990
Offshore Energy (OE)	949	934	934	1,233	1,282
Shipping & Intermodal (S&I)	1,357	1,297	1,297	1,512	1,537
Telecom, Media, Technology & Services (TMT&S)	1,213	1,198	1,198	1,257	968
Total corporate loans (drawn & undrawn)	**9,071**	**8,980**	**8,980**	**9,227**	**8,961**
Lease receivables	345	282	282	236	221
Investment loans	218	220	220	246	161
Equity investments	398	343	343	262	300
Investment property	-	-	-	271	251
Total corporate client assets (drawn & undrawn)	**10,032**	**9,825**	**9,825**	**10,243**	**9,894**
Corporate client assets (drawn & undrawn) per region					
Netherlands	4,555	4,312	4,312	3,856	3,304
Germany	2,095	2,075	2,075	2,324	2,208
United Kingdom	1,619	1,737	1,737	1,678	1,700
Other	1,763	1,702	1,702	2,384	2,681
Total corporate client assets (drawn & undrawn)	**10,032**	**9,825**	**9,825**	**10,243**	**9,894**

	IFRS 9 H1 2018	IFRS 9 1 Jan 2018	IAS 39 2017	IAS 39 2016	IAS 39 2015
Retail client assets					
Owner occupied mortgage loans – Netherlands	8,522	8,158	8,476	8,376	8,345
Buy-to-Let mortgage loans	639	617	617	371	118
Owner occupied mortgage loans – Germany (closed book)	38	50	53	84	117
Total retail client assets	**9,199**	**8,825**	**9,146**	**8,831**	**8,580**
Originate to manage assets					
Corporate client assets	466	463	463	443	437
Retail client assets	1,622	729	729	15	-
Total originate to manage assets	**2,088**	**1,192**	**1,192**	**458**	**437**
Retail client savings					
Netherlands	4,003	3,871	3,871	3,950	4,129
Germany	4,250	4,407	4,407	4,542	4,687
Belgium	952	1,029	1,029	1,229	1,200
Total retail client savings	**9,205**	**9,307**	**9,307**	**9,721**	**10,016**
Asset quality					
Cost of risk[1]	0.55%	n.a.	0.62%	0.74%	0.73%
Impairment ratio[1/2]	0.25%	n.a.	0.50%	0.76%	0.53%
Impairment coverage ratio[1/2]	35%	51%	40%	37%	41%
NPL ratio[1/2]	3.6%	2.9%	2.8%	3.0%	3.0%
Top-20 exposure / Common Equity Tier 1	76%	82%	66%	78%	89%
Exposure corporate arrears > 90 days	2.7%	1.7%	1.7%	2.1%	0.7%
Exposure residential mortgage loans arrears > 90 days	0.3%	0.5%	0.5%	0.6%	0.7%
Loan to value Dutch residential mortgage loans	73%	75%	75%	78%	80%
Loan to value BTL mortgage loans	54%	57%	57%	59%	61%
Solvency information					
Equity attributable to shareholders of the company	1,669	1,660	1,918	1,819	1,735
AT1 and Subordinated liabilities	488	483	483	398	400
Group capital base	2,156	2,143	2,401	2,217	2,135
Balance sheet total	21,774	21,891	22,148	23,495	23,153
Risk-weighted assets	8,676	8,545	8,584	9,930	9,848
Common Equity Tier 1 ratio	16.4%	16.1%	19.3%	15.1%	13.9%
Tier 1 ratio	17.7%	17.4%	20.4%	15.1%	13.9%
Total Capital ratio	19.7%	19.4%	22.2%	18.0%	16.7%
Leverage ratio	6.8%	6.5%	7.7%	6.5%	6.1%
Funding & liquidity					
LCR	160%	n.a.	196%	124%	201%
NSFR	115%	n.a.	117%	112%	113%
Loan-to-deposit ratio[1]	152%	n.a.	148%	145%	140%
Asset encumbrance ratio	26%	n.a.	26%	29%	29%
Retail savings / total funding	44%	n.a.	44%	46%	48%
Secured funding / total funding	21%	n.a.	20%	23%	24%
ESF / total funding	6%	n.a.	6%	6%	6%

	IFRS 9 H1 2018	IFRS 9 1 Jan 2018	IAS 39 2017	IAS 39 2016	IAS 39 2015
Non-financial key figures					
NPS score Corporate Lending clients	+72%		+64%	+37%	+40%
NIBC Direct customer survey score	-		7.9	7.6	7.7
% of new corporate loans screened against sustainability policy	100%		100%	100%	100%
Number of new corporate clients with increased sustainability risk assessment	11		23	28	14
Fines or sanctions for non-compliance with laws and regulations	1		1	0	1
Employees					
Total number of FTEs end of financial period	686		689	716	644
Male / female ratio	69%/31%		70%/30%	73%/27%	70%/30%
Male / female ratio top management	87%/13%		88%/12%	91%/9%	90%/10%
Training expenses per employee (EUR)	1,717		2,318	2,041	2,540
Absenteeism (trend total)	2.1%		2.2%	2.4%	2.2%
Employee turnover (employees started)	9.9%		16.5%	25.2%	15.2%
Employee turnover (employees left)	10.3%		20.5%	15.0%	15.2%

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

2 Ratios for comparative years have changed. Please see the Alternative Performance Measures section in this report for an explanation of the changes

A WORD FROM THE CEO

Dear reader,

I am pleased to announce that in the first half of 2018, NIBC again reported strong results based on our chosen mix of businesses and our loyal and growing client franchise. We are progressing well on our strategic priorities and mid-term objectives. Looking back on the IPO that was finalised on 23 March in a challenging financial market and macro environment, I am most proud of our people. Driven by our 'Think Yes' mentality and the entrepreneurial mind-set of our people, we continue to grow the business, as client assets grew both on balance as well as off balance. On the corporate client side, assets grew by 2% versus year-end 2017, whereas new business on the retail client side nearly doubled including our originate-to-manage (OTM) offering.

In the first half of 2018, markets have turned somewhat more challenging and the search for yield continues. In our view this is demonstrated by the fact that higher (perceived) risks are not always priced into current transactions. However, the fundamentals of the markets we operate in continue to be strong. As NIBC, we make deliberate choices for margin over volume. However, if we see opportunities to grow assets and increase our origination we will of course do so. We have the flexibility and agility to continuously seek opportunities, but also more importantly, to hold our breath and selectively engage in only those transactions that fit our franchise, always focusing on the client angle, and our risk parameters.

We benefit from the strong economies in North-western Europe, as evidenced by our profitability that further improved in H1 2018, with a profit after tax at EUR 84 million and return on equity (ROE) of 10.5%. We were able to further reduce our funding costs, which together with the impact of IFRS 9, resulted in a 22% increase of our net interest income (NII) and further increase of our net interest margin, despite the low interest rate environment. Our cost to income ratio (C/I-ratio) slightly improved at NIBC Holding level to 47%, allowing us to continuously invest in the NIBC organisation, both in innovation and product development as well as in our 'Think Yes' culture. After the full absorption of the IFRS 9 transition effect, the CET1 ratio at the end of June 2018 remained strong, and is with 16.4% well above our mid-term objective.

Assets grew overall, both on balance as well as off balance. On the corporate client side, assets grew with 2% versus year-end 2017. The growth was fuelled by a 4% increase in Receivable Finance, Leasing through our leasing venture Beequip and lending to corporates. On the other hand our Asset and Cash Flow financing portfolios have been deliberately reduced with 1%. Pre- and repayments of 25% remained at a relatively high level, and the corporate portfolio displayed a moderate spread decline to 2.76%. On the retail client side, mortgage loan origination in the first half of 2018 was strong, as it grew by almost 50%, reaching EUR 1.9 billion. The OTM mandate for a leading European asset manager gives us the opportunity to also offer the longer tenors to our clients. We are proud that this asset manager increased its mandate with NIBC to a total level of EUR 3.3 billion of which EUR 1.6 billion has already been executed. We originated EUR 0.9 billion for our own owner-occupied mortgages book, resulting in a 5% growth of the portfolio from EUR 8.2 billion at year-end 2017 to EUR 8.6 billion at the end of June 2018, also influenced by pre- and repayments. As the market continues to be very competitive, spreads in all areas remain under pressure, causing the overall retail portfolio spread to decrease with 12 bps to 2.41% at 30 June.

Overall fee income shows a modest growth in the first half of 2018, aided by increased fees on our OTM business and despite lower lending fees due to lower structuring, underwriting and arrangement fees. Investment income remained strong on the back of the positive economic climate. Following some recently announced transactions that are expected to close in the second half of 2018, we expect investment income to remain strong in the remainder of this year.

Impairments were 34% lower, compared to the first half of 2017, despite some challenges in certain sectors, specifically the continued pressure in Offshore Energy. The overall development shows the improved average credit quality of the loan book as well as the strong performance of the mortgage portfolio. Cost of risk improved from 62 bps to 55 bps. We expect that in this positive economic climate the trend of improvements is likely to continue.

The cost-to-income ratio improved from 49% to 47% compared to H1 2017, despite an increase in total operating costs, reflecting amongst others the costs of EUR 8 million relating to the IPO and further investments that were made in IT.

We continue to focus on asset quality and further optimization of our on-balance exposure, seeking diversification in terms of products and actively managing our risk weighted assets. New pockets of growth are Beequip (leasing of used equipment material), which grew its portfolio by more than 30%, and our rapidly expanding OTM offering, allowing us to serve already more than 7,500 new clients. Furthermore, the recently announced launch of the North Westerly V CLO provides us with the opportunity to further grow in leverage finance.

By investing in new businesses and developing relationships with fintech companies, like Ebury and FinLeap, we are able to add value and find synergies with our own product offering and operations. Based on this experience and demand from clients in the high tech sector that would like to have access to NIBC's solutions for high growth companies, we are preparing the launch of our Eindhoven tech hub.

In March, we had our own decisive moment with the IPO. As a newly listed company, the external environment in which we operate has changed. We will put more emphasis on clear communication with all stakeholders, both at and in between official reporting moments. In light of this, we have decided to organise a Retail Investor Day on 19 September 2018, to allow retail investors to engage with NIBC's management. Demonstrated by the performance in the first half of 2018, we are progressing well in meeting our mid-term objectives as announced in 2017. As we are Moving Ahead, we will further update the market on a Capital Markets Day on 6 December 2018.

Underpinning the improved performance, we propose an interim dividend pay-out of EUR 0.25 per share (H1 2017: EUR 0.21 per share), which equals a pay-out ratio of approximately 44% for the first half of 2018, well on track to reach our mid-term objective of at least 50% dividend pay-out.

I am confident about our future, and grateful to our people for their commitment and dedication towards their work and our clients. Following the recent IPO, I'd like to take the opportunity to give special thanks to the shareholders that showed their belief and support in NIBC during the IPO process, allowing us to take the company public. Employing our key values Professional, Entrepreneurial and Inventive, we will continue to be there on decisive moments of our clients.

The Hague, 28 August 2018

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

FINANCIAL REVIEW

in EUR millions	IFRS 9 H1 2018	IAS 39 H1 2017	IAS 39 ex. Vijlma H1 2017	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	**84**	**107**	**60**	**40%**

The column 'H1 2017 excl. Vijlma' in the table above displays a net result that is EUR 47 million lower than total profit after tax for H1 2017. This presentation of Vijlma is consistent with the full year 2017 Financial Performance paragraph. Vijlma relates to a specific German commercial real estate legacy exposure of which the underlying assets (investment property) were sold in 2017 and for which the final settlement took place in 2018. The results from Vijlma impacted net interest income, net trading income, impairments of financial assets and tax in 2017. Unless otherwise stated, in the remainder of this paragraph we will assess the performance in H1 2018 against that of H1 2017 excluding the results from Vijlma in H1 2017.

As IFRS 9 has been fully implemented per 1 January 2018 and this has especially influenced the classification of part of the mortgage portfolio, relevant figures per 1 January 2018, including the IFRS 9 transition effects, have also been included.

All figures in this paragraph relate to NIBC Holding (NIBC), unless otherwise stated.

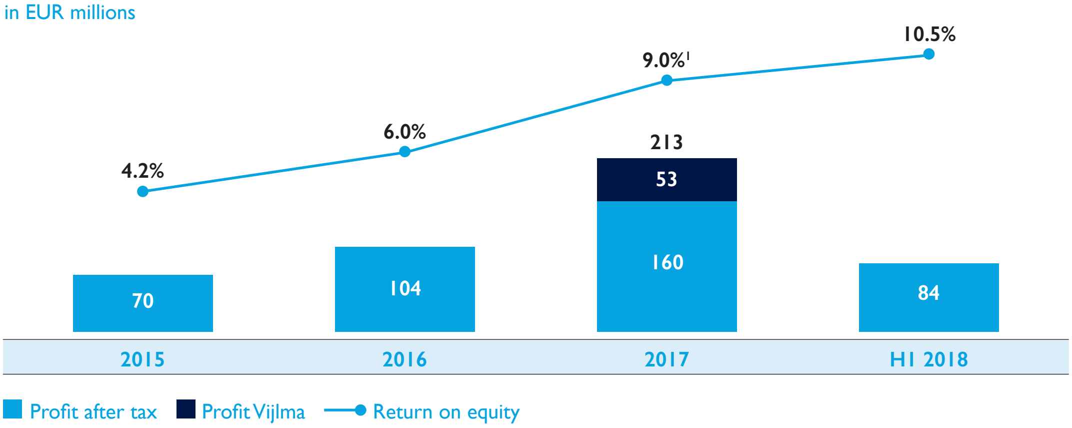
Financial overview

	IFRS 9 H1 2018	IAS 39 FY 2017	IAS 39 H1 2017	IAS 39 ex. Vijlma H1 2017
Earnings				
Return on equity	10.5%	11.9%	11.9%	6.7%
Net interest margin	1.90%	1.60%	1.52%	1.53%
Cost/income ratio	47%	42%	38%	49%
Risk weighted assets	8,676	8,584	8,867	
Cost of risk	0.55%	0.62%	0.72%	0.70%
Loan to deposit ratio	152%	148%	143%	
Asset encumbrance ratio	26%	26%	27%	
Fully loaded solvency ratios				
CET 1 ratio	16.4%	19.3%	18.1%	
Total Capital ratio	19.7%	22.2%	20.7%	
Liquidity ratios				
LCR	160%	196%	261%	
NSFR	115%	117%	118%	
Number of FTEs	686	689	691	
Rating bank				
S&P rating and outlook	BBB / Stable	BBB / Stable	BBB- / Positive	
Fitch rating and outlook	BBB / Stable	BBB / Stable	BBB- / Positive	

Profitability improved further in H1 2018, with both profit after tax and return on equity displaying an increase compared to H1 2017. Excluding the exceptional result on Vijlma in 2017, profit after tax attributable to the shareholders of the company in H1 2018 increased to EUR 84 million compared to EUR 60 million in H1 2017 (+40%) and return on equity (**ROE**) increased to 10.5% compared to 6.7% in H1 2017 (+57%). The ROE of H1 2017 was based on the pre-IFRS 9 equity base, which was substantially higher.

Profit after tax attr. to shareholders and Return on equity

in EUR millions



1 Please note that the ROE 2017 is based on net profit attributable to shareholders excluding Vijlma, as indicated in the introduction.

The improved performance mainly reflects a further increase of net interest income and lower impairments.

Corporate client assets mid–2018 amounted to EUR 10.0 billion, which is 2% above the end of year 2017 level of EUR 9.8 billion. Client assets in relatively new initiatives such as receivables finance and leasing (through our subsidiary BEEQUIP), as well as lending to corporates increased. The asset and cash flow financing portfolios decreased by approximately 1%. This development reflects our focus of margin over volume and niche oriented strategy. Markets have become more challenging, with – in our view – certain risks not always being correctly priced into the current yield curves. As was the case in previous years, pre- and repayments remained at a relatively high level of 25% in H1 2018 (full year 2017: 32%).

Following our strategy to serve our clients, also on the longer tenors of the mortgage market, NIBC has signed an originate to manage (**OTM**) contract with a leading European institutional asset manager. Total mortgage loan origination volumes reached EUR 1.9 billion in H1 2018 (full year 2017: EUR 1.9 billion) of which EUR 1.0 billion relates to the OTM mandate, EUR 0.9 billion owner occupied for own book and EUR 0.1 billion buy-to-let for own book

- Including pre- and repayments, the total mortgage portfolio in OTM increased in H1 2018 by EUR 0.9 billion to more than EUR 1.6 billion. In the first half year of 2018 we signed new OTM mandates (EUR 1.4 billion), resulting in a total OTM mandate of EUR 3.3 billion;
- The owner occupied mortgage loan portfolio for own book increased by 5% in H1 2018 from EUR 8.2 billion (i.e the opening balance after transition to IFRS 9) to EUR 8.6 billion, with origination of nearly EUR 0.9 billion being partially compensated by pre- and repayments;
- The buy-to-let portfolio for own book remained relatively stable in H1 2018 at EUR 0.6 billion.

Spreads in all segments of the mortgage market are under pressure, displaying origination spreads in H1 2018 at substantially lower levels than in 2017. For owner occupied mortgages for own book, the average origination spread decreased from 2.08% in 2017 to 1.48% in H1 2018. This also reflects the adjustment in the mix of mortgages for own book to a lower average tenor.

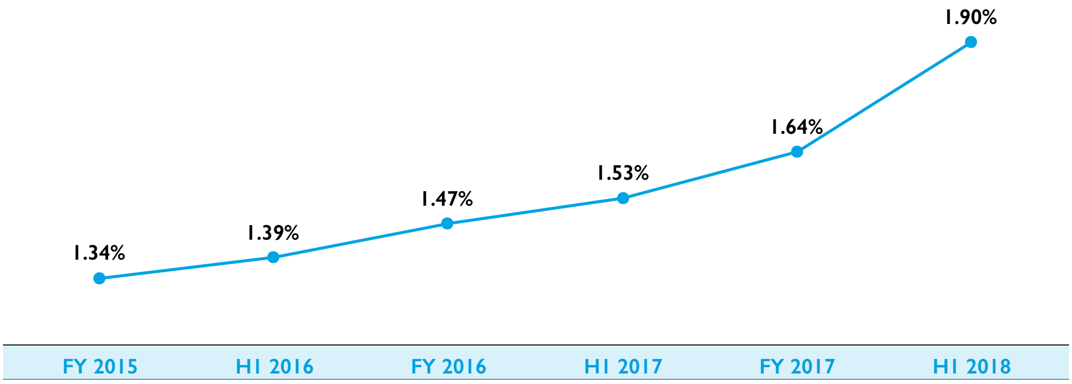
We continued to decrease the average funding rate in H1 2018, driving a further increase of net interest income. We also benefited from favourable market circumstances to further increase the average maturity in our wholesale funding. This supports NIBC's continued solid short- and long-term liquidity ratios. Furthermore the solvency (CET 1) ratio is strong mid year 2018 at 16.4% – after full absorption of the IFRS 9 impact of 3.2%-points. This is above NIBC's medium-term objective of 14%, and well above the minimum SREP-requirement.

The following section describes the financial developments and analyses of the performance of NIBC in the first half year of 2018. For the income statement the analysis compares the first half year of 2018 to the first half year of 2017 excluding Vijlma. For balance sheet items, the analysis compares 30 June 2018 to 1 January 2018 after IFRS 9.

Operating income

Operating income increased by 18% to EUR 254 million in H1 2018 from EUR 216 million in H1 2017. The increase of operating income was mainly driven by an increase of net interest income.

Net interest margin



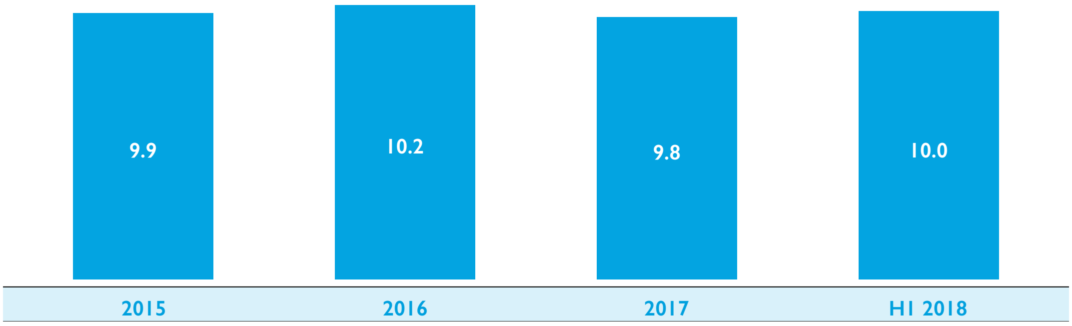
Net interest income

Net interest income increased by 22% to EUR 207 million in H1 2018 from EUR 169 million in H1 2017. The following items impacted net interest income in H1 2018:

- The implementation of IFRS 9 had a material impact on net interest income in H1 2018. As stated in the Annual Report 2017, for NIBC the main impact of IFRS 9 at 1 January 2018 was the reclassification of the mortgage loan portfolio at FVtPL to amortised cost, in line with the hold to collect business model and with general market practice. This reclassification resulted in a one-off negative revaluation on the mortgage loans amounting to EUR 321 million before tax. As this reduction included the one-sided effect of interest rates with the associated hedges remaining unadjusted, the impact is materially larger than only the underlying credit revaluation of the related mortgage loans. As of the transition date of 1 January 2018, this one-sided effect results in a future positive pull-to-par effect for an estimated amount equal to the before tax revaluation loss on the related hedging swaps over the remaining life of the reclassified portfolio. As the old swap portfolio (with relatively high interest rates) has been unwound and replaced with new swaps at current (low) interest rates, this pull-to-par effect is included in net interest income. For H1 2018 this effect amounted to a gain of EUR 28 million through net interest income. Excluding this gain, net interest income increased by 6% in H1 2018 compared to H1 2017 and the net interest margin would have increased from 1.64% to 1.76%;
- Although the corporate loan portfolio increased in H1 2018, the average size of the drawn corporate loan portfolio in H1 2018 was nearly EUR 0.6 billion (-7%) below the average level for H1 2017. Furthermore, we saw some pre- and repayments of loans with higher spreads. The average spread on the portfolio remained relatively stable, as these developments resulted in a limited decrease of the portfolio spread of 3 basis points. Margin income in H1 2018, including amortising fees on the corporate loan portfolio, was EUR 3 million below margin income on this portfolio in H1 2017.

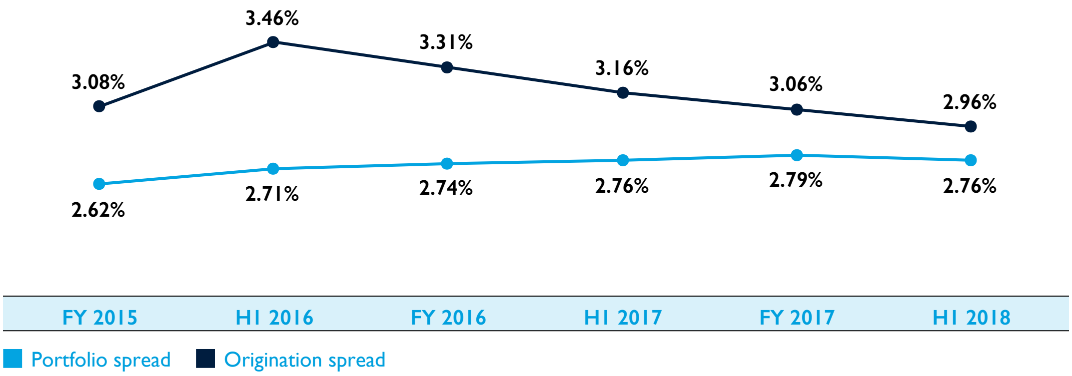
Volume of corporate client assets

in EUR billions



Corporate loan portfolio spreads

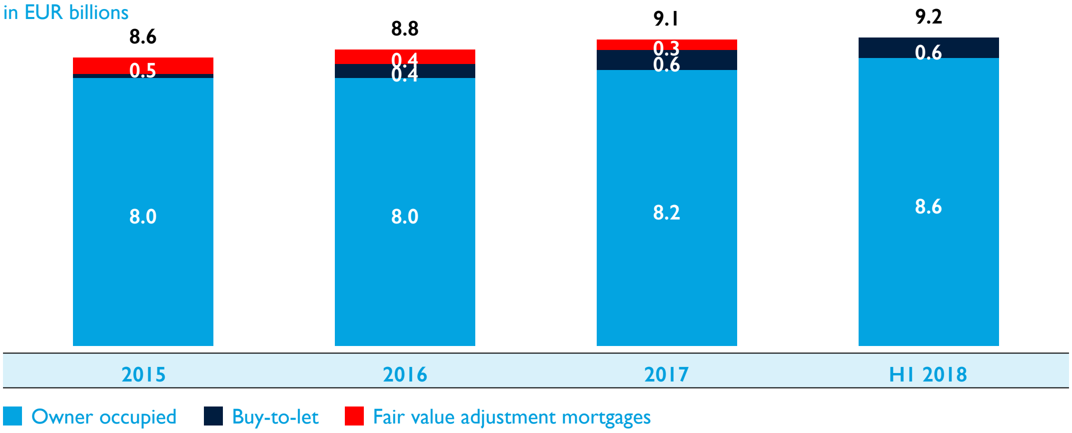
in %



- In H1 2018, the average mortgage loan portfolio for own book (owner occupied and buy-to-let) was more than EUR 0.2 billion (+3%) higher than the average level for H1 2017. The average portfolio spread was roughly18 basis points lower in H1 2018 compared to H1 2017, partly due to a change in mix of mortgages with a lower average tenor. Margin income from this portfolio decreased by EUR 5 million in H1 2018 compared to H1 2017.

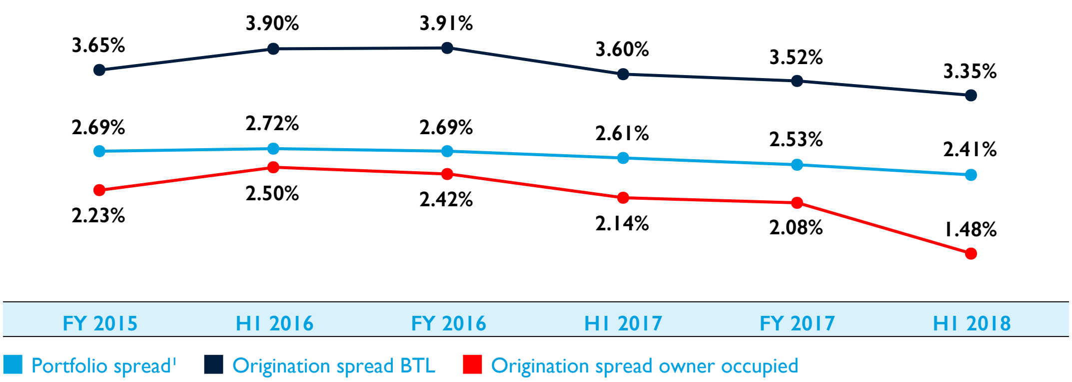
Volume of retail client offering assets

in EUR billions



Retail assets spreads

in %

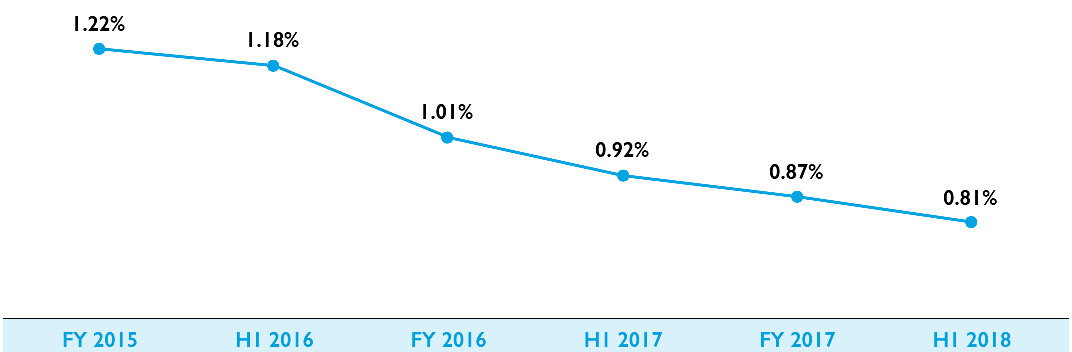


1 Please note that the methodology to measure the portfolio spread has been adjusted in H1 2018. It now excludes the effects of savings balances. For comparison, prior period spreads have been adjusted accordingly

- NIBC's funding profile combined with, on average, lower funding costs, significantly contributed to the increase in net interest margin and consequently to net interest income in H1 2018. The funding spread above base decreased by 6 basis points in H1 2018, following a decrease of 14 basis points in 2017. The positive impact on net interest income from cost of funds was EUR 17 million in H1 2018 compared to H1 2017, mainly driven by a lower average funding spread of 13 basis points.

Funding spread

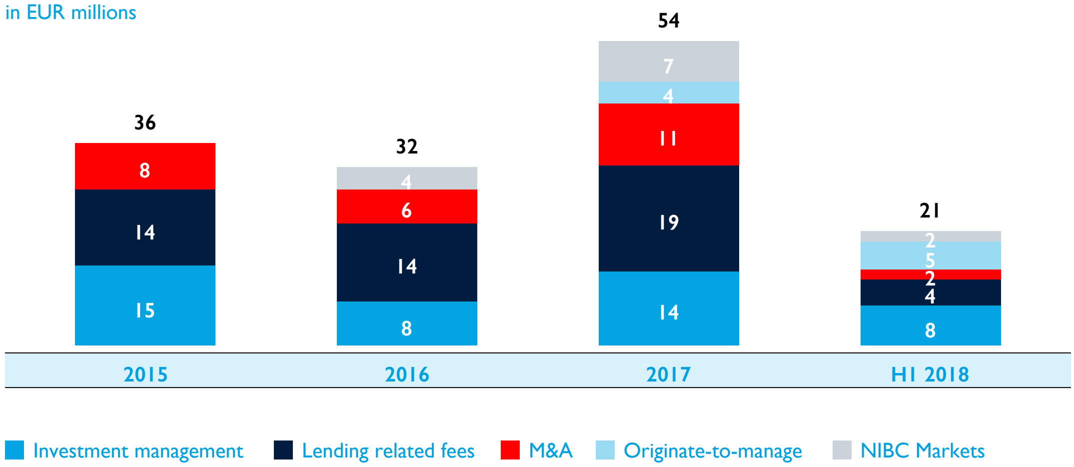
in %



Net fee and commission income

Net fee and commission income increased by approximately 5% from EUR 20 million in H1 2017 to EUR 21 million in H1 2018.

Net fee and commission income
in EUR millions



- In line with the OTM strategy, the OTM fees increased from EUR 1 million in H1 2017 to EUR 5 million in H1 2018, in line with the continued growth of the owner occupied mortgage loans under management and also reflecting the compensation for origination in addition to the periodic compensation;
- The growth of investment management fees from EUR 5 million in H1 2017 to EUR 8 million in H1 2018 was fuelled by higher performance fees for 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, but is also impacted by the fact that for approximately EUR 1 million, fees are no longer recognised under net fee and commission income following the implementation of IFRS 9 and IFRS 15;
- 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, following the acquisition of SNS Securities in 2016. As explained in the Annual Report 2017, these discontinued activities concern Independent Asset Manager Services, Specialised Asset Management and Third Party Execution. Adjusting for the income related to the discontinued activities, fees from NIBC Markets remained stable at EUR 2 million.

Investment income

Investment income is sensitive to the sentiment in the equity markets and can therefore be volatile year on year. In H1 2018 the equity investment portfolio continued to perform well on the back of the positive economic environment in North-western Europe. Total investment income of EUR 21 million in H1 2018 reflects an annualised return on assets for the period of nearly 13%.

Of the total amount of investment income in H1 2018, more than EUR 7 million (33%) relates to cash income from dividends and from exits. For investment income of EUR 67 million for full year 2017 this cash income percentage amounted to 28%.

The on-balance equity investment portfolio of EUR 340 million at 30 June 2018 can be specified in four types of investments:

- EUR 232 million relates to investments in equity funds in which NIBC is general partner (GP), co-founder, cornerstone investor or a combination of these roles. EUR 120 million of the total investments in equity funds relates to the NEIF-fund. In H1 2018 investment income on NIBC's

investments in these funds amounted to EUR 15 million, in addition to EUR 8 million of investment management fees included in net fee and commission income;
- EUR 81 million relates to direct investments from transactions executed with corporate clients. In H1 2018 investment income from these investments amounted to EUR 7 million;
- EUR 22 million relates to NIBC's strategic investments in the fintech space. These investments mainly reflect NIBC's stakes in Ebury and FinLeap;
- EUR 5 million relates to NIBC Markets' equity client trading portfolio.

The total on-balance sheet equity investment portfolio increased in H1 2018 by 2% from EUR 333 million at year-end 2017 to EUR 340 million, which is the result of new investments of EUR 10 million, revaluation of EUR 15 million and an increase of the trading portfolio of EUR 3 million, partially compensated by sales of EUR 21 million.

These portfolio figures exclude NIBC's commitment to acquire an indirect stake of 5.1% for an amount of EUR 56 million in HSH Nordbank, a transaction that is expected to close in H2 2018 after the consortium receives various regulatory approvals. As NIBC's commitment is irrevocable, the committed amount has been 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%.

Other income
Other income amounted to EUR 5 million in H1 2018 which compares to nil in H1 2017. This result is based on the positive net trading income of EUR 3 million, nil net income from assets and liabilities at fair value through profit or loss and EUR 2 million other operating income.

Operating expenses

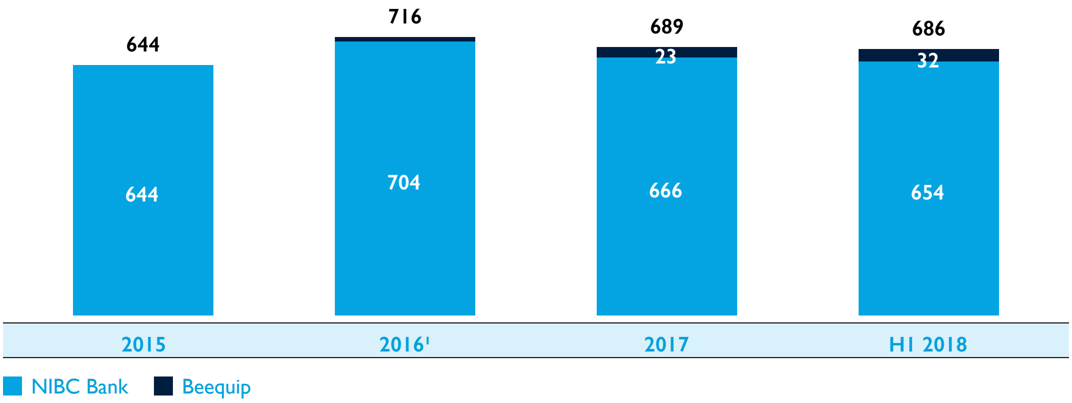
IPO expenses
Operating expenses H1 2018 include costs related to the IPO executed in March 2018. Total expenses related to the IPO, excluding the underwriting fees which were borne by the selling shareholders, amount to EUR 17 million. Of this amount, EUR 7 million has been accounted for in 2017, EUR 8 million in H1 2018 and the remainder will be accounted for in H2 2018. Of these expenses, EUR 11 million relates to (one-off) variable compensation for management and employees accounted for in personnel expenses, of which EUR 4 million is included in H1 2018.

Operating expenses
Operating expenses in H1 2018 of EUR 120 million increased by EUR 14 million from EUR 106 million in H1 2017. Excluding the IPO expenses mentioned above, operating expenses increased by EUR 6 million (+6%).

Excluding IPO expenses of EUR 4 million, personnel expenses decreased by 11% from EUR 55 million in H1 2017 to EUR 49 million in H1 2018. The decrease by EUR 6 million is mainly explained by the following:
- Payroll expenses in H1 2017 included a reorganisation provision of EUR 5 million related to NIBC Markets;
- The remaining decrease mainly relates to the lower number of FTEs in H1 2018 compared to H1 2017, amongst others relating to NIBC Markets and IT as part of the IT Forward project. This is partially compensated by an increase by EUR 1 million in the expenses for temporary staff. The average number of FTEs in H1 2018 amounted to 688, which is 2% below the average level of 704 in H1 2017, predominately reflecting the reduction of FTEs at NIBC Markets and IT;

- The number of FTEs at our subsidiairy Beequip increased in line with the business plan and reflects the successful growth of the franchise.

FTE Development



1 2016 impacted by acquisition of NIBC Markets resulting in 89 FTE increase

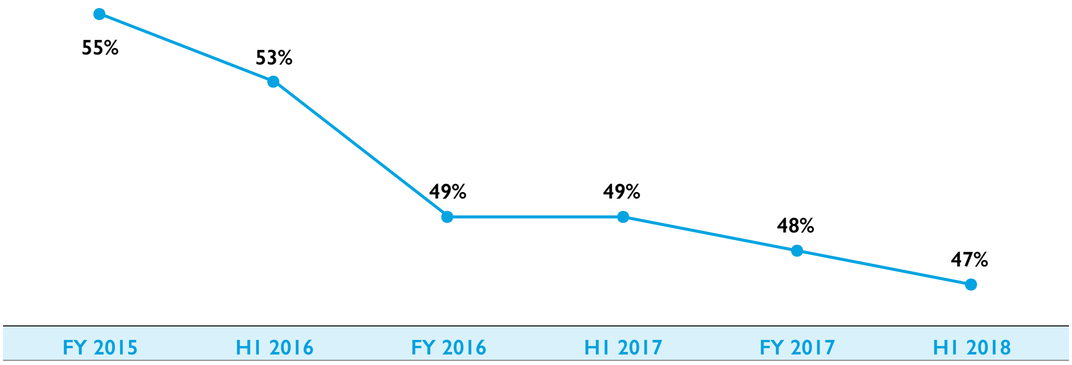
Excluding IPO expenses of EUR 4 million, other operating expenses increased by 31% from EUR 39 million in H1 2017 to EUR 51 million in H1 2018. The increase of EUR 12 million is mainly related to the following:

- Expenses related to IT increased by EUR 4 million in H1 2018 compared to H1 2017. This increase mainly follows from the continued strengthening of the current infrastructure, improvements of business platforms including phasing out of some systems, the retransition from the former IT service provider (as we terminated the contract in H2 2017) as well as the preparation of the transition to a new IT service provider, which will start in H2 2018. The retransition and preparations are supported by external parties, whose costs are included in operating expenses;
- One-off expenses related to exerting property management and managing the legal and administrative structure with respect to Vijlma amounted to EUR 4 million in H1 2018;
- Expenses for the servicing of mortgage loans increased by EUR 1 million, in line with the increased portfolio both for own book as well as assets under management for third parties;
- Other operating expenses in H1 2017 included the release of a provision of EUR 3 million.

The cost/income ratio improved from 49% in H1 2017 and 48% for the full year 2017 to 47% in H1 2018. This fully loaded (including regulatory expenses) cost/income ratio is reflecting the permanent investments made in our franchise and will allow us to continuously invest in the NIBC organisation, both in innovation and product development as well as in the Think YES culture of NIBC.

Cost/income ratio

in %



Credit loss expenses

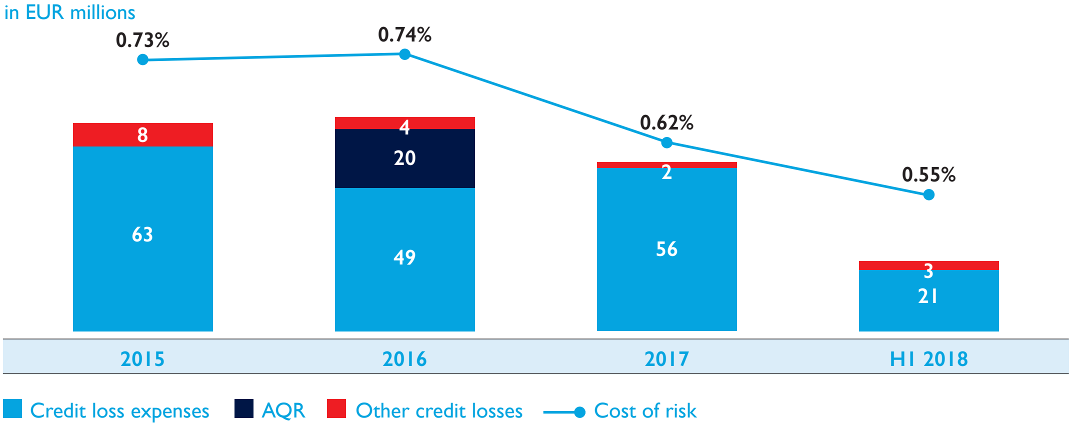
Following the implementation of IFRS 9 on 1 January 2018, the methodolgy for impairments of financial assets changed from an '*incurred loss*' to an '*expected credit loss* (**ECL**)' impairment model. The impact on 1 January 2018 was a EUR 22 million higher level of loan loss provisions, resulting in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

Credit loss expense of EUR 21 million in H1 2018 decreased by 34% compared to EUR 32 million in H1 2017. Although impairments on the corporate loan portfolio are still elevated as some challenges remain in certain portfolios, the overall development displays the improved average credit quality of the corporate loan book as well as the solid performance of the mortgage portfolios (with almost nil impairments). The cost of risk in H1 2018 decreased to 0.55% compared to full year 2017 level of 0.62% (mainly reflecting NIBC's active steering of RWAs), coming from 0.72% for H1 2017 and 0.74% for 2016.

The EUR 3 million of credit losses in H1 2018 displayed in the following figure relates to a loss on an investment loan accounted for at fair value through profit or loss.

Credit losses

in EUR millions



Tax

Tax in H1 2018 amounts to EUR 23 million, implying an effective tax rate of 21% of the profit before tax, which compares to 23% for H1 2017. The effective tax rate lies below the Dutch corporate tax rate of 25%. This mainly relates to the impact of income not subject to tax, predominately from equity investments and investments in associates. Income from these investments is tax exempt under Dutch tax law if NIBC has a stake of more than 5%.

Profit attributable to non-controlling interest

In September 2017 NIBC Bank issued an AT 1 instrument amounting to EUR 200 million with a 6% coupon and a seven years non-call. Under IFRS, the AT 1 instrument is classified as equity. The coupon paid on this AT 1 instrument is considered to be a distribution of result and therefore, it is accounted for under this heading. For tax purposes, however, it is classified as interest expense in line with current regulations.

Net profit

NIBC's profit after tax (excluding Vijlma) attributable to the shareholders of the company increased by 40% from EUR 60 million in H1 2017 to EUR 84 million in H1 2018. Return on equity improved from 6.7% in H1 2017 to 10.5% in H1 2018.

The profitability improvement in H1 2018 follows the substantial improvement already displayed in 2017 and reflects the strong foundations of our client franchise, the continued reduction of NIBC's funding costs and further improvement of the credit quality of our assets. 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 (excluding IPO expenses).

Profit after tax attributable to the shareholders of the company in H1 2018 of NIBC (NIBC Holding) is EUR 11 million below that of NIBC Bank. This difference mainly results from the following items:

- EUR 4 million reflects the after-tax expenses related to the IPO which were fully accounted for in NIBC Holding;
- the remaining EUR 7 million mainly reflects the after tax interest revenues in NIBC Bank from funding assets of NIBC Holding.

The net result of Beequip – NIBC's lease financing venture launched in 2016 – was close to zero in H1 2018, as was the case in 2017. This is in line with the business plan to invest in the franchise to ensure sustainable growth of the lease receivables portfolio with solid returns. In the first half of 2018, this lease portfolio grew from EUR 210 million to EUR 283 million (+34%).

Balance sheet
Assets

	H1 2018	2017	2016	2015
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

	H1 2018	2017	2016	2015
Retail funding	9,205	9,307	9,721	10,016
Funding from securitised mortgage loans	-	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**

Assets

The drawn corporate loan book (including lease receivables) increased slightly by 1% in H1 2018, with new origination being nearly fully offset by pre- and repayments. Origination in H1 2018 was in line with the H1 2017 figure of EUR 1.5 billion of which roughly 50% was undrawn. The mortgage loan portfolio grew by 5% in H1 2018 to EUR 9.2 billion from EUR 8.8 billion (opening balance after transition to IFRS9, i.e. excluding the revaluation balance of EUR 0.3 billion), supported by origination for own book of EUR 0.9 billion (H1 2017: EUR 0.6 billion). The increase was driven by growth in the owner occupied portfolio, while the buy-to-let portfolio remained stable at EUR 0.6 billion. In H1 2018 our retail franchise grew even more due to the significant increase of the OTM mandate from EUR 1.9 billion to EUR 3.3 billion. The drawn portfolio (EUR 1.6 billion per H1 2018) related to this mandate encompasses over 7,500 additional clients, or 14% of NIBC's total mortgage client franchise.

Derivative balances continued to decrease in H1 2018, after the significant decrease in 2017. The decrease in 2018 predominately relates to market developments. As the positions mainly relate to hedges of interest rate risk, the interest rate movements affect the balances. In addition to these regular developments, two separate actions led to the additional reduction of the derivative balances (as explained in the Annual Report 2017):

- During 2017 and 2018, NIBC has reviewed its hedging positions and closed out many offsetting positions and replaced the associated hedging instruments with new derivatives at current market rates;
- More derivative positions have become eligible for netting. As settlement processes and systems were adjusted following the implementation of central clearing, more positions were eligible for netting. This led to an additional reduction of the reported derivative balances.

Asset quality

Through new origination, the overall quality of the credit portfolios improved. Within the corporate portfolio, expected loss of the originated exposure is lower than that of the existing book, improving the portfolio average. The average expected loss on the performing loan portfolio improved from 32 bps at year-end 2017 to 29 bps at H1 2018. The mortgage portfolio also reports a decrease in expected loss, from 13 bps to 12 bps. The increase of the relative weight of the mortgage portfolio supports further improvement of the credit quality of NIBC's balance sheet.

The table below reports the distribution of NIBC's balance sheet items at amortised cost and fair value through OCI over the different ECL stages, which have been introduced with the implementation of IFRS 9.

30 June 2018		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost	Loans	6,149	757	327	1	7,234
	Lease receivables	338	3	-	-	342
	Mortgage loans	9,239	111	31	-	9,381
	Debt investments	-	-	-	-	-
Fair Value through OCI	Debt investments	739	4	-	-	743
Total		**16,465**	**875**	**358**	**1**	**17,700**

1 January 2018		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost	Loans	6,034	998	232	-	7,264
	Lease receivables	281	-	-	-	281
	Mortgage loans	8,859	101	37	-	8,997
	Debt investments	163	-	-	-	163
Fair Value through OCI	Debt investments	660	4	-	-	664
Total		**15,997**	**1,103**	**269**	**-**	**17,369**

As the tables above illustrate, stage 3 assets have increased in H1 2018 by EUR 89 million. This increase is mainly related to pressure in the Offshore Energy portfolio, in which several assets have become impaired. On the other hand, the total assets classified as Stage 2 decreased by EUR 231 million, in line with the improvement of credit quality of the performing portfolio.

Development of asset quality key figures

With the implementation of IFRS 9, several key figures have shifted as a result of the transition per 1 January 2018. To analyse the developments of H1 2018, a distiction between transition effect and development in the period is critical. Transition effects impacting carrying values, impairment balances and/or equity have led to a different starting point. Main asset quality key figures that are impacted are the Impairment coverage ratio, the NPL ratio and the Top-20 exposure / Common Equity Tier 1. The table below illustrates the development as of 31 December 2017.

	IFRS 9 H1 2018	IFRS 9 1 Jan 2018	IAS 39 2017
Impaired coverage ratio	35%	51%	40%
NPL ratio	3.6%	2.9%	2.8%
Top-20 exposure / Common Equity Tier 1	76%	82%	66%

The impairment coverage ratio increased due to the implementation of IFRS 9, as a result of reclassifications and the new impairment methodology. During H1 2018, the impairment coverage ratio decreased, mainly due to impairments on newly impaired assets that were relatively limited compared to the outstanding exposures. The transition to IFRS 9 had a modest effect on the NPL ratio, that further increased during H1 2018, due to developments discussed in the previous section. The Top-20 exposure was significantly impacted through the impact of IFRS 9 on CET 1 capital, whereas the exposure itself did not change. During H1 2018, the ratio improved significantly.

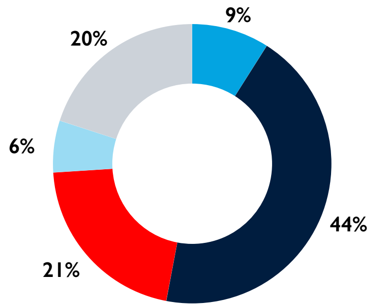
Funding & liquidity

Continuously improving the funding profile is a key part of our Funding/ALM strategy. We aim to benefit from market opportunities, in order to increase the average duration of the funding portfolio, use different instruments and markets and actively manage the credit side of NIBC's balance sheet. Overall, the funding mix at H1 2018 displays a healthy balance between wholesale and retail:

- Retail savings decreased by 1% to EUR 9.2 billion, with inflow in the Netherlands of more than EUR 130 million and a managed outflow in Germany and Belgium. The share of retail savings in term deposits decreased to 41% (end of year 2017: 42%), in line with NIBC's internal appetite;
- With respect to wholesale funding, NIBC issued a total of nearly EUR 1.2 billion in H1 2018:
  - In January 2018, a EUR 500 million public covered bond was issued at a maturity of 10 years, paying interest of 0.13% above the 3 months swap rate;
  - In April 2018 a EUR 500 million public senior unsecured was issued at a maturity of 5 years, paying interest of 0.84% above the 3 months swap rate;
  - We raised an additional EUR 170 million in privately placed euro senior funding at various maturities during H1 2018;
- Institutional deposits attracted in Germany under the *Einlagensicherungsfonds* (**ESF**) decreased by 8% from EUR 1.3 billion to EUR 1.2 billion in H1 2018, in support of managing the bank's liquidity position. NIBC's current limit under the ESF amounts to EUR 1.7 billion.

Funding composition

in %



H1 2018

Shareholder's equity | Retail funding | Secured (wholesale) funding | ESF deposits | Unsecured (wholesale) funding

The solid funding and liquidity position mid-2018 is evidenced by the following ratios:

- A Liquidity Coverage Ratio of 160% (versus 196% at year-end 2017) and Net Stable Funding Ratio of 115% (117% at year-end 2017);
- An asset encumbrance ratio of 26% (2017: 26%), which meets our objective to maintain this ratio below 30%;
- A loan-to-deposit ratio of 152% (2017: 148%), which is in line with our objective to maintain this ratio at a level between 140% and 160%.

Another part of the Funding/ALM strategy is to manage NIBC's interest rate risk position. Mid-2018 the interest rate sensitivity of NIBC's balance sheet amounted to EUR 12 million (implying that a parallel upward shift of the yield curve of 100 basis points will lead to higher net interest income of EUR 12 million over a 12-month period). At year-end 2017 this sensitivity equaled EUR 13 million. In case of a non-parallel shift, this will lead to a different outcome in the short term.

Impact of IFRS 9 with respect to liabilities

Part of the unsecured funding portfolio is classified at FVtPL. As of 1 January 2016, following the early application of 'IFRS 9 – own credit requirements', the fair value changes related to own credit risk from liabilities designated at Fair Value through Profit or Loss are accounted for as comprehensive income directly to shareholders' equity. As NIBC already applied IFRS 9 for these liabilities, there was no additional impact from the full transition to IFRS 9 on 1 January 2018.

At 30 June 2018 a debit of EUR 80 million (31 December 2017 EUR 86 million) on the financial liabilities at fair value through profit or loss is accounted for in the balance sheet due to own credit spread movements.

Solvency

Impact from IFRS 9 on 1 January 2018

For NIBC, the main impact of IFRS 9 on 1 January 2018 was related to the reclassification of the mortgage loan portfolio at FVtPL to amortised cost, in line with the hold to collect business model and with general market practice. This reclassification resulted in a one-off loss of EUR 321 million before tax, relating to the revaluation amount on the mortgage loans, which was charged directly to shareholders' equity. The magnitude of this one-off loss at 1 January 2018 had a negative impact on NIBC's CET 1 ratio of 3.4%-points.

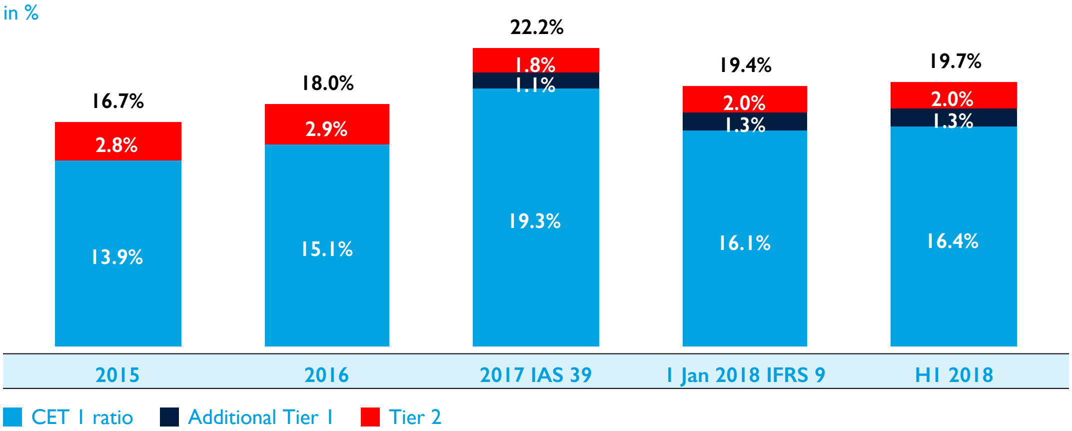
In addition to the reclassification of the FVtPL mortgage loan portfolio, the change from an '*incurred loss*' to an '*expected credit loss*' (**ECL**) impairment model increased the level of loan provisions by EUR 22 million. This led to a downward transition impact of 0.2%-points on 1 January 2018 on the NIBC's CET 1 ratio.

Overall, 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. Taking into consideration the secondary effects such as the adjustment of the expected loss shortfall deduction, the total impact on CET 1 is 3.2%-points. The pre-IFRS 9 solvency ratios at 31 December 2017 of 19.3% for the CET 1 ratio, 20.4% for the Tier I ratio and 22.2% for the total capital ratio changed post IFRS 9 at 1 January 2018 to respectively 16.1%, 17.4% and 19.4%.

The leverage ratio decreased by 1.2%-point to 6.5% due to the transition to IFRS 9.

Solvency ratios

in %



Development in H1 2018

NIBC's fully loaded solvency ratios increased strongly in H1 2018. The CET 1 ratio increased from 16.1% (post IFRS 9 at 1 January 2018) to 16.4%, the Tier 1 ratio improved from 17.4% to 17.7% and the total capital ratio increased from 19.4% to of 19.7%. These solvency ratios are calculated on a fully loaded base and include the half year profit after tax for H1 2018 ratios and full year profit after tax 2017 for 1 January 2018 ratios and take into account the proposed dividend payments at the time. We expect our capital generation to continue in the coming periods, further strengthening our ability to pay out dividends at a level of at least 50%.

SREP requirements

The solvency ratios at 30 June 2018 are comfortably above the required SREP-levels set by DNB for NIBC in July 2018. Excluding the applicable combined buffer requirement (of 2.0% for 2018) and the Pillar II guidance (which is not disclosed and not relevant for the determination of the Maximum Distributable Amount), the required SREP-level for NIBC's minimum own funds amounts to 11.5% (in 2017: 12.0%). This requirement consists of an 8% Pillar 1 requirement and a 3.5% Pillar 2 requirement. The total CET 1 minimum requirement is 8.0%, consisting of the minimum a 4.5% Pillar 1 requirement and a 3.5% Pillar 2 requirement.

In addition, NIBC has to comply with the requirements of the phased-in combined buffers, consisting of a Capital Conservation Buffer (1.9%) and a Countercyclical Capital Buffer (0.1%) relating to the UK activities in 2018. This translates into an aggregate 10.0% CET 1 requirement for 2018. As of 2019 the CET 1 requirement is expected to increase, as the Capital Conservation Buffer is further phased-in by an additional 0.6%-points. This results in an expected aggregate CET 1 requirement of 10.6% in 2019 based on the current SREP levels. NIBC's near-term objective for its minimum CET 1 ratio is 14.0%, reflecting a sound management buffer.

NIBC's SREP levels compared to the actual solvency ratios at 30 June 2018 are displayed below.

SREP requirement

	1 July 2018			31 December 2017		
	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	3.5%	3.5%	3.5%	4.0%	4.0%	4.0%
Subtotal	**8.0%**	**9.5%**	**11.5%**	**8.5%**	**10.0%**	**12.0%**
Capital Conservation Buffer (CCB)	1.9%	1.9%	1.9%	1.3%	1.3%	1.3%
Countercyclical Capital Buffer (CCyB)	0.1%	0.1%	0.1%			
SREP requirement	**10.0%**	**11.5%**	**13.5%**	**9.7%**	**11.3%**	**13.3%**
Pillar II guidance		*not disclosed*			*not disclosed*	
Actual						
NIBC Holding transition	16.4%	17.9%	19.6%	19.4%	20.8%	22.2%
NIBC Holding fully loaded	16.4%	17.7%	19.7%	19.3%	20.4%	22.2%

The leverage ratio of NIBC increased to 6.8% in H1 2018, meeting requirements comfortably.

The Maximum Distributable Amount (MDA) trigger level for NIBC Holding is at 10.0% CET1 capital based on the current SREP-level. Based on a full phase-in of the capital conservation buffer (from 1.9% in 2018 to 2.5% in 2019), the fully-loaded MDA trigger level is expected to increase to 10.8% in 2019, including a counter-cyclical buffer estimated at 0.2%. The current CET1 ratio is comfortably above the MDA trigger level.

Basel IV

An agreement was reached on the Basel III reforms Basel IV in December 2017. While certain elements still require more clarity, based on our current assessment and interpretation of the Basel IV regulation, we still expect the impact to be in a range of 20–30% of RWA by 2027. This does not take into account possible management actions, nor potential changes to Pillar 2 requirements. This also assumes the current (mid-2018) portfolio to be the same in 2027, as well as RWA based on the current economic environment.

An uncertainty for banks is that the new framework will have to be incorporated into legislation within the European Union based on a European Commission proposal. This entire process is expected to take several years. During this process of endorsement by the EU and subsequent transfer to local law, certain adjustments to the regulation may be implemented. We aim to meet the final requirements (fully loaded Basel IV) early in the phase-in period while we continue to execute our strategy for our clients.

Minimum requirement for own funds and eligible liabilities (MREL)

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 up 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.

For NIBC, the relevant resolution authority – the Single Resolution Board (SRB) – has stated the preferred resolution strategy to be 'single point of entry at NIBC Bank level with bail-in for resolving the Group'.

In line with the preferred resolution strategy the SRB has communicated an indicative – as yet non-binding – MREL requirement to NIBC. The MREL requirement has been established to ensure that banks in the European Union have sufficient own funds and eligible liabilities to absorb losses in the case of a potential bank failure. This indicative non-binding MREL requirement is in line with our expectations, and consistent with our funding and capital plans. Based on the initial discussions with the resolution authorities, NIBC is confident to meet the MREL requirement once it will become binding. Future requirements will be subject to ongoing regulatory review and clarification.

Dividend policy and pay-out

Dividend policy

As indicated in our medium-term objectives we envisage a dividend pay-out of at least 50% of annual profit after tax (before special items), of which a portion as interim dividend post half year figures, subject to sufficient profitability and to conforming with all regulatory requirements, as well as consistency with prudent capital and liquidity policies. We aim to pay out an interim dividend of (at least) EUR 0.25 per share for the coming two years (under normal circumstances).

Dividend pay-out H1 2018

The Managing Board proposes an interim dividend pay-out of EUR 0.25 per share which leads to a pay-out of EUR 37 million or 44% of H1 2018 profit after tax attributable to shareholders of the company for NIBC. The interim dividend proposal of EUR 0.25 per share compares to EUR 0.21 interim dividend per share at H1 2017 and EUR 0.45 per share at H2 2017 (EUR 0.66 total dividend per share in 2017).

The calculation of the Maximum Distributable Amount, as set out in article 2.2.1 of the Regulation 'Specific provisions CRD IV and CRR' of De Nederlandsche Bank N.V. of 9 December 2013, containing requirements to the Maximum Distributable Amount and the calculation thereof, provides sufficient head room to pay out this dividend.

Medium-term objectives

The medium-term objectives as disclosed in NIBC's Annual Report 2017 are displayed below, compared to the actuals full year 2017 and H1 2018. These objectives have been set on the basis of certain assumptions in respect of the future impact on NIBC's capital position from the implementation of Basel IV and other regulatory developments, considering in particular the anticipated capital requirements which may arise, and taking into account NIBC's current dividend policy.

Medium-term objectives

	Medium-term objectives	H1 2018	2017	2017 ex. Vijlma
ROE	>10-12%	10.5%	11.9%	9.0%
Cost/income ratio[1]	<45%	47%	42%	48%
CET 1	>14%	16.4%	19.3%	19.3%
Rating Bank	BBB+	BBB	BBB	BBB
Annualised dividend pay-out ratio	>50%	44%	45%	n.a.

1 To ensure consistency, the cost/income ratio is included at NIBC Holding level. H1 2018 cost/income ratio at NIBC Bank is 43%

Other items and subsequent events

IT transition

In 2016, NIBC explored a new framework for IT delivery, including outsourcing a substantial part of its IT infrastructure, IT service desk and the management of the IT infrastructure to a third party. The chosen outsourcing initiative was cancelled at the end 2017 and the relevant contract terminated by NIBC. In December 2017, we started to work on the retransition of the relevant IT infrastructure back to NIBC. This retransition was successfully completed in the second quarter of 2018. At the same time, new opportunities to achieve the intended goals were evaluated. This led to the signing of a contract with a new outsourcing service provider in June 2018. During the entire period NIBC was fully in control of its IT operations, which serviced NIBC's business on a stable basis.

There are, however, ongoing legal proceedings with the previous IT outsourcing service provider. The third party is disputing the termination and has claimed compensation for the terminated contract to the amount of approximately EUR 20 million. Based on expert legal advice, NIBC sees no grounds for such compensation, and has counterclaimed damages to cover the additional costs it has incurred for the retransition and the delay in implementation of the new operating model. NIBC is confident that the outcome of these proceedings will not have a material negative impact on our financial performance in the coming periods.

Deferred tax

The deferred tax asset (**DTA**) has been adjusted for 1 January 2018 in line with the transition effects of IFRS 9. The impact of the IFRS 9 transition on the DTA is twofold. First, most transition effects on retained earnings are taxable income. Overall, this is expected to create a fiscal loss in 2018, so that a large part of the fiscal impact will be deferred. This has led to an increase of the DTA of EUR 55 million. Second, the overall impact of the transition effects on the 2018 fiscal result and therefore NIBC's capacity to compensate losses from prior years. This effect was anticipated in the determination of the DTA at the end of 2017, and as the underlying assumptions have not changed, we have made the same assessment in accounting for the DTA at 30 June 2018. NIBC has yet to reach agreement with the fiscal authorities on the treatment of the IFRS 9 transition effects. If this agreement deviates from the assumptions made, this could have a material positive effect on the recognised DTA.

Evolving monetary crisis in Turkey
The recent depreciation of the Turkish Lira might impact the macroeconomic climate in Europe. NIBC has no direct exposure to Turkey or Turkish companies; however, the evolving monetary crisis may impact clients of NIBC or NIBC itself in an indirect way.

Material transactions after 30 June 2018
Sale of NIBC European Infrastructure Fund portfolio
At the start of August 2018, NIBC European Infrastructure Fund (**NEIF**), a fund managed by NIBC Bank and in which NIBC also has an investment, has signed share purchase agreements as part of the selling process of two large portfolios.

The majority stake in leading UK Motorway Service Area Operator Welcome Break is planned to be sold to Applegreen plc, a major petrol forecourt retailer with operations in the Republic of Ireland, the United Kingdom and the United States.

In addition, the European Infrastructure and Renewables portfolio of NEIF is planned to be acquired by Equitix, a leading UK investor and fund manager in infrastructure. The portfolio comprises 13 renewables and social infrastructure assets in the UK and Europe, which include health care, education and care home facilities, as well as renewable wind, solar and waste plants.

The total gross consideration represents an overall premium to the NEIF valuation as reported for H1 2018 of approximately 26%. This will lead to a significant gain for NIBC, also after anticipated transaction costs. The successful execution of the transaction is subject to uncertainties in the closing process and the restructuring that is still to be executed..

Conditions to completion primarily involve certain final restructuring mechanics relating to one of NEIF's principal holding companies, NEIF Infrastructure Investment Holdings I BV (including the transfer of shareholder loans in portfolio companies currently held directly by the fund CV), change of control consents at the asset level (mainly under senior financing agreements), and completion of an equity raise by AppleGreen by either placement or rights issue that has a backstop underwriting subject only to a market MAC. Completion of both transactions is expected to occur in the fourth quarter of 2018.

At the date of the signing of the agreements NIBC's stake in NEIF was 29%, which had a book value of EUR 120 million.

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

Pricing and placement of North Westerly V
In July 2018 we successfully priced and placed North Westerly V B.V., a EUR 412 million collateralised loan obligation (CLO) via Morgan Stanley. The CLO was priced and placed with a syndicate of leading international institutional investors. NIBC Bank N.V. acts as a Collateral Manager for this

actively managed CLO, which will invest in syndicated leveraged and corporate loans. The transaction was arranged and placed by Morgan Stanley. North Westerly V B.V. is listed on Euronext Dublin.

This is the fifth CLO of the NIBC's North Westerly platform. This CLO further builds upon our entrepreneurial and inventive approach to growing this specialist franchise in today's rapidly changing markets: the expansion of NIBC's CLO business offers its investors access to the private loan asset class via publicly listed notes, whilst extending its core leveraged lending expertise into asset management.

NIBC BANK

in EUR millions	IFRS 9 H1 2018	IAS 39 H1 2017	IAS 39 ex. Vijlma H1 2017	H1 2018 vs. H1 2017 ex. Vijlma
Net interest income	215	177	168	28%
Net fee and commission income	21	20	20	5%
Investment income	21	27	27	-22%
Other income	1	2	1	0%
Operating income	**258**	**226**	**215**	**20%**
Personnel expenses	51	54	54	-6%
Other operating expenses	47	39	39	21%
Depreciation and amortisation	3	3	3	0%
Regulatory charges	9	9	9	0%
Operating expenses	**110**	**105**	**105**	**5%**
Net operating income	**148**	**122**	**111**	**33%**
Credit loss expense / (recovery)	21	12	32	-34%
Tax	26	22	14	86%
Profit after tax	**101**	**87**	**64**	**58%**
Profit attributable to non-controlling interest	6	-	-	
Profit after tax attributable to shareholder of NIBC Bank	**95**	**87**	**64**	**48%**

Net profit and return on equity

Profitability of NIBC Bank improved further in H1 2018, with both profit after tax and return on equity displaying an increase compared to H1 2017. Excluding the result on Vijlma in 2017, profit after tax attributable to the shareholders of the company increased by 48% to EUR 95 million in H1 2018 from EUR 64 million in H1 2017 and return on equity increased to 11.0% in H1 2018 from 9.0% in H1 2017.

The improved performance mainly reflected a further growth of net interest income, which was also supported by the continued decrease of funding spreads. A decrease of impairments also contributed to the growth of net profit.

Profit after tax attributable to the shareholders of the company in H1 2018 of NIBC Bank is EUR 11 million above that of NIBC Holding mainly due to the following items:

- EUR 4 million reflects the after-tax expenses related to the IPO which were fully accounted for in NIBC Holding;
- the remaining EUR 7 million mainly reflects the after tax interest revenues in NIBC Bank from funding assets of NIBC Holding, including the intercompany financing of Vijlma.

Solvency

NIBC Bank's solvency ratios were maintained at a solid level in H1 2018, with a fully loaded CET 1 ratio at 19.2% mid-2018 and the fully loaded Total Capital ratio at 25.1% mid-2018. These levels are comfortably above the required SREP-levels set by our regulator DNB in July 2018. For more information on the SREP-levels we refer to the Financial Review paragraph in this document.

The leverage ratio of NIBC Bank of 8.1% at H1 2018 (2017: 8.8%) comfortably meets the requirements.

Key figures NIBC Bank

	IFRS 9 H1 2018	IAS 39 FY 2017	IAS 39 H1 2017	IAS 39 ex. Vijlma H1 2017
Earnings				
Net interest margin	1.93%	1.69%	1.54%	1.50%
Cost/income ratio	43%	44%	46%	49%
Return on equity	11.0%	10.8%	9.0%	6.6%
Asset quality				
Risk-weighted assets	8,622	8,546	8,773	
Cost of risk	0.55%	0.38%	0.27%	0.70%
Impairment ratio	0.25%	0.30%	0.23%	0.61%
Impairment coverage ratio	35%	40%	45%	
NPL ratio	3.5%	2.8%	3.0%	
Solvency				
Equity attributable to shareholder of the company	1,825	2,059	2,023	
AT1 and Subordinated liabilities	488	482	387	
Balance sheet total	21,928	22,209	23,769	
Common Equity Tier 1 ratio	19.2%	21.4%	20.3%	
Tier 1 ratio	21.6%	23.7%	20.3%	
Total Capital ratio	25.1%	27.2%	25.3%	
Leverage ratio	8.1%	8.8%	7.4%	
Funding & liquidity				
Loan-to-deposit ratio	154%	150%	146%	
S&P rating and outlook	BBB / Stable	BBB / Stable	BBB- / Positive	
Fitch rating and outlook	BBB / Stable	BBB / Stable	BBB- / Positive	

Dividend pay-out

The Managing Board has proposed an interim dividend pay-out of EUR 0.59 per share for NIBC Bank, which amounts to a dividend pay-out of EUR 37 million and a pay-out ratio of 39% of the profit after tax attributable to the shareholders of the company. The calculation of the Maximum Distributable Amount, as set out in article 2.2.1 of the Regulation 'Specific provisions CRDIV and CRR' of De Nederlandsche Bank N.V. of 9 December 2013, containing requirements to the Maximum Distributable Amount and the calculation thereof, provides us with sufficient head room to pay out this dividend.

BUSINESS REVIEW

The first half of 2018 has been an eventful period for NIBC. Following a period of preparations, NIBC returned to the stock exchange in March. Also, 1 January 2018 marked the transition to IFRS 9, another step that has demanded intense preparations. Besides these developments, NIBC has been focusing on supporting our clients in their decisive moments.

Initial Public Offering (IPO)

Friday 23 March 2018 marked our own decisive moment as trading in the shares of NIBC Holding N.V. on Euronext Amsterdam commenced. This event ensures the financial and strategic flexibility to continue to execute our strategy. The number of shares sold represents approximately 25% of NIBC's issued share capital, at an initial offer price of EUR 8.75. Despite a full IPO calendar and heightened market volatility in the period leading up to the IPO, the listing was realised within the initial price range and was met with more than average demand from retail investors. The retained shares of the selling majority shareholder are subject to a lock-up period ending 23 September 2018 (180 days after the settlement date 27 March 2018).

General developments

In the first half of 2018 the North-western European economy continued to flourish, which is reflected in increasing house prices and lower unemployment. For our exposures we observed decreasing average probabilities of default and loss-given-default in our portfolios.

We note that interest rate developments on the client-side and the funding-side have moved in opposite directions, leading to an increased pressure on origination spreads. Market interest rates continue to be at low levels based on the expectation that the ECB is unlikely to raise interest rates prior to mid-2019. Consumer appetite therefore continues to be significant for long-term fixed interest rate products, such as mortgage loans with 20 to 30 year maturities. At the same time credit spreads in the capital market have increased during the first half of 2018, reflecting the effects of protectionist policies and increased geopolitical volatility. These circumstances further support our strategy of a differentiated approach, focusing on growing in niches and sectors that are expanding. Equipment leasing (Beequip), receivables finance and Originate-to-Manage (OTM) are examples of this successful strategy.

The financial services sector continues to see new entrants with a focus on specific elements of the financial services value chain. We believe in the strategy to take equity stakes and form strategic partnerships in order to anticipate new trends in the rapidly evolving financial services landscape. We have the ability and agility to be part of the disruption caused by Fintech companies and continue to invest in order to capitalise on emerging solutions.

The financial sector as a whole continues to face increased regulatory pressure. For instance NIBC Markets faces challenges related to Mifid II, which impacts the secondary market for the entire sector. Other relevant new regulations relate to Resolution (BRRD) and Basel IV as described in the financial review paragraph. We note that these new regulations are still developing and are therefore subject to uncertainty with respect to the actual impact on NIBC and the financial sector as a whole.

Corporate client offering

Income statement corporate client offering

	IFRS 9 H1 2018	IAS 39 ex. Vijlma H1 2017
Net interest income	101	90
Net fee and commission income	15	19
Investment income	21	26
Other operating income	4	6
Operating income	**141**	**141**
Regulatory charges	-	-
Other operating expenses	57	56
Operating expenses	**57**	**56**
Net operating income	**84**	**85**
Credit loss expense / (recovery)	24	32
Profit before tax	**60**	**53**
Tax	10	8
Profit after tax	**50**	**45**

The Corporate client offering's profit after tax increased in H1 2018 by 11% to EUR 50 million, mainly driven by 11% higher net interest income and 25% lower credit loss expense. Higher net interest income mainly relates to improved funding costs.

NIBC continues to build its full service mid-market offering for corporate clients. We are equipped to add value on the entire credit side of our clients' balance sheet as well as a wide range of tailor-made solutions for capital market financing and advisory. Our client focus, combined with deep product knowledge, enables us to provide solutions and advice for our clients, typically mid-sized businesses across various sectors, at decisive moments.

Digitalisation and the transition to clean energy are both long-term trends that we will support our clients with in the coming years. Within Healthcare & life sciences, we continue to see a need for cash for investments in innovation and R&D. We notice that entrepreneurial biotech companies across North Western Europe especially use capital markets to finance their development. There is a strong demand for real estate financing in all subsectors, with the development of new residential real estate as one of the main drivers of origination; for example the financing of The View of Rotterdam, a mixed use landmark real estate development including 130 apartments in Rotterdam.

Our continued focus on improving service levels toward new and existing clients led to a Net Promoter Score of +72% (Year-end 2017: +64%), an important testament of our strong client relations, which prove to be a key differentiator especially in more challenging and competitive markets. To further enhance the efficient delivery of our services to clients, origination processes are currently being redesigned and new tooling is being implemented.

Products

With our strong product knowledge in chosen sectors, we offer our corporate clients solutions covering the full credit side of the balance sheet as well as advisory and capital markets products.

Debt

Our relatively new initiatives such as receivables finance and leasing performed well, as did lending to corporates. Beequip is one of the ventures disrupting the offering of traditional financial services and is expected to replace more traditional products in the future. In H1 2018, Beequip's leasing exposure showed a further growth of EUR 73 million. This delivered a substantial contribution to our total portfolio of lease receivables, which increased by 22% to EUR 345 million as at 30 June 2018.

We saw further growth of the receivables finance portfolio to nearly EUR 1 billion in the first half of 2018, illustrating strong appetite for this specialised product. This offering allows our clients to attract financing based on receivables or contracted cash flows, enabling them to grow to the next level. The receivables portfolio includes financing to the Fintech sector, which continued to grow, providing solutions to fast growing Fintechs such as iwoca and Ebury. With the latter, NIBC also has a strategic partnership.

We are working with an increasing number of institutional investors, our role being to originate and manage mid-market leveraged loans. These partnerships allow investors to benefit from our unique mid-market franchise while we enhance our offering to corporate clients with larger tickets. We continue to focus on asset quality and to further optimise our on-balance exposure, seeking diversification in terms of products (successful launch of super senior financing solution) and in terms of geographies (first transaction closed in the Nordics).

Mezzanine and Equity

We invested in a number of promising companies in our core sectors, providing equity, mezzanine and uni-tranche solutions. We are actively managing our value proposition, facilitating add-ons and new investments, enabling further growth of our portfolio companies. Within our fund solutions, we see a good performance in our Infrastructure Fund (NEIF) and Avedon (previously a related party to NIBC), and we are seeing strong momentum in our recently launched Rotterdam Port Fund with a number of focused investments in the first half of 2018. NIBC is one of the founding cornerstone investors together with the Port of Rotterdam, Innovation Quarter, Royal Doeksen and a number of Rotterdam-based entrepreneurs. The fund invests in fast growing companies that focus on innovation, sustainability and technology in the Port economy. As described in the Financial Review paragraph the equity portfolio continued to perform well. Examples of promising transactions are provided in the subsequent Client deals paragraph.

Corporate Finance and Capital Markets

We see continued momentum for corporate finance with many transactions in the market. Further transformation of our NIBC Markets division into a primary capital markets business was realised, with an increasing number of debt capital markets transactions. Our added value is illustrated by 10 Debt Capital Markets (DCM) transactions in the first half of 2018, among which a number of transactions in Offshore Energy. A further focus on our sectors is becoming visible within NIBC Markets, bringing together our corporate client and investor client base.

After having supported J.C. Flowers (JCF) on a number of buyout opportunities in Germany over the past years, we successfully advised on its acquisition of HSH Nordbank. The fee income from this transaction is expected in the second half of the year and subject to closing of the transaction. The transaction evidences the strength and calibre of our offering and is the result of years of client focus and commitment.

Client deals

In the first half of 2018, Corporate clients offering was engaged in mandates for a large number of high-profile deals across its markets, demonstrating its ability to provide tailor-made solutions swiftly at decisive moments for clients. These included the following examples:

Green Frog Power: an operational gas fired peaking power portfolio in the UK where we provided financing. This transaction within the Infrastructure and Renewables team is one of the perfect examples of how our efforts in the Renewable Energy space are paying off and we believe will help us service the increasing demand for peaking power stations.

E-Fiber: during an investment period of two years, NIBC supported E-Fiber with mezzanine & equity solutions in its transition from a single site network owner to a recognized fibreoptic infrastructure developer. We have now sold our 50% stake in E-Fiber to Arcus Infrastructure Partners. Arcus, an independent fund manager, acquired a majority equity interest, partnering with the founding management team. As investor, NIBC has supported E-Fiber in its transition from a single site network owner to a recognized fibreoptic infrastructure developer. Today E-Fiber is the preferred partner of many Dutch municipalities to realise FttH access in the most efficient and cost-effective way for their citizens. We are proud to have contributed to this and are convinced that Arcus is the right partner for E-Fiber to further expand their business.

Solarus: NIBC has provided Solarus, a Dutch developer and producer of hybrid solar PowerCollectors™ and integrated project solutions, a mezzanine and equity investment solution, in close collaboration with the Industries & Manufacturing (I&M) team. With this investment Solarus will scale up their international activities and the company sees the investment of NIBC as a recognition of their potential. The transaction demonstrates that it is taking ownership in the energy transition. Furthermore, the transaction fits well with NIBC's sector focus on the Dutch 'Maakindustrie'.

Purified Metal Company (PMC): NIBC has become a minority shareholder in PMC, a company which concerns a green-field contaminated steel recycling plant in Delftzijl and has patented a technology combination to treat heavily polluted metal that otherwise cannot be recycled. In cooperation with the Industries & Manufacturing team, NIBC will also provide PMC with mezzanine financing for the construction of the plant. The transaction fits perfectly within our strategy to focus on sustainability and we demonstrate the importance of creating a sustainable and circular economy. We are pleased to add this entrepreneurial company to our portfolio.

Retail client offering

Income statement retail client offering

	IFRS 9 H1 2018	IAS 39 ex. Vijlma H1 2017
Net interest income	65	63
Net fee and commission income	5	1
Investment income	-	-
Other operating income	-	(5)
Operating income	**71**	**60**
Regulatory charges	4	5
Other operating expenses	26	23
Operating expenses	**30**	**28**
Net operating income	**41**	**33**
Credit loss expense / (recovery)	(3)	-
Profit before tax	**43**	**33**
Tax	11	8
Profit after tax	**32**	**25**

The Retail client offering's profit after tax increased in H1 2018 by 28% to EUR 32 million, mainly driven by higher net fee and commission income and lower credit losses.

It was a strong first half year for our retail client business, serving approximately 400,000 clients in the Netherlands, Germany and Belgium through a wide range of quality mortgage, savings, and brokerage products. Origination volumes are strong and our dual track strategy in mortgage origination, targeting clients in niche segments with on-balance sheet products while also originating more mainstream mortgage loans for institutional investors, is paying off. H1 2018 was another strong half year for our mortgage origination volume, with client assets now above the EUR 10 billion.

These same market dynamics cause an increased demand for mortgage loans with longer fixed interest terms (10-20 and even 30 years). Through our OTM mandates we can service the growth of this crowded and price-competitive segment with no credit risk for NIBC.

At the savings side of our business, the low interest rates also played a role. Furthermore, we see a moderate shift of demand towards on-demand savings from term deposits.

The covered bonds issued also enable us to continue to service the mortgage market at attractive spreads.

Mortgages

We are highly experienced in originating, servicing and managing Dutch residential mortgage portfolios. We have continued to focus on more profitable segments outside the crowded National Mortgage Guarantee (NHG) market, further expanding our network, and intensifying our relationship and activities with existing distribution partners. In line with a further improving Dutch housing market and economic recovery, the mortgage portfolio has shown a further improvement in credit quality.

By extending our on-balance portfolio with OTM mandates, we are able to diversify our income base for mortgages adding fee revenue and at the same time creating the flexibility to switch between on-balance sheet origination and OTM depending on market circumstances. In the first half of the year, we increased our OTM mandates further by EUR 1.4bn to EUR 3.3 billion and more than doubled the amount of AUM (from EUR 0.7 billion to EUR 1.6 billion). These mandates enable us to offer attractive rates to our clients, broadening the product offering for retail clients with long tenor mortgages, keeping a market presence in crowded segments and diversifying our income base. The OTM mandates increases our client franchise with more than 7,500 customers (+14%). In this way, we leverage our knowledge, distribution network, and infrastructure for use by third-party investors, while offering retail customers the strengths and benefits of an NIBC mortgage. Origination of our Buy-to-Let loans slowed as competition increased, offering higher loan-to-values at lower pricing.

At the end of H1 2018 the migration of the NIBC Direct portfolio from Quion to Stater was successfully concluded. This not only leads to a further cost reduction but also has the advantage that product or service changes towards the client are easier, quicker, and more cost effective as now only one servicer remains involved.

Savings

On the savings side we have experienced a managed outflow as we clearly choose margins over volumes. Total client savings decreased from EUR 9.3 billion (YE 2017) to EUR 9.2 billion, but at the same time we saw the share of on-demand savings increase from 58% to 59%. This shift from more expensive fixed-term savings results in lower funding costs. After the introduction of quarterly savings in the Netherlands in 2017, we see the demand for this product increasing, providing clients the opportunity to earn higher interest without giving up any flexibility. For the bank, the new product helps to increase the stickiness of the retail savings.

Treasury & Group functions
Income statement treasury & group functions

	IFRS 9 H1 2018	IAS 39 ex. Vijlma H1 2017
Net interest income	48	15
Net fee and commission income	-	-
Investment income	-	-
Other operating income	(2)	-
Operating income	**46**	**15**
Regulatory charges	5	4
Other operating expenses	18	17
Operating expenses	**23**	**21**
Net operating income	**23**	**(6)**
Credit loss expense / (recovery)	(1)	-
Profit before tax	**24**	**(6)**
Tax	5	(1)
Profit after tax	**19**	**(5)**

Net profit after tax from Treasury & Group functions increased by EUR 24 million in H1 2018 to EUR 19 million, fully driven by higher net interest income, which increased by EUR 33 million. This increase relates for EUR 28 million to the impact from IFRS 9 and the remainder mainly to improved funding costs.

Treasury & Group Functions includes Asset and Liability Management (ALM), Risk Management and our Corporate Centre which includes HR & Corporate Communication, Internal Audit, Legal, Compliance, Operations & Facilities, Technology and Finance & Tax and Strategy & Development.

In the first half of 2018 we have continued to focus on the realisation of our ambitious project calendar. These projects include both projects focused on enhancing and supporting the business as well as projects focused on complying with future regulatory requirements.

RISK MANAGEMENT

Our business of providing advice and debt, mezzanine and equity financing solutions for businesses and entrepreneurs, and straightforward, transparent products and services for enterprising retail customers, requires us to take well-judged risks. We mainly pursue credit and investment risk; lowering to an acceptable level our interest rate, currency, liquidity and operational risks while ensuring our solid capital and liquidity positions. These are integral aspects of our business as a corporate and retail platform. Our risk appetite defines the scope and boundaries we are comfortable with while our risk management framework provides us with a structured approach for managing the various risks on a daily basis. It is indispensable that sound risk management is rooted in our culture, as it is the responsibility of all our people to service our clients over the long term in the way that they expect us to do, and in relationships based on trust, transparency and reliability.

We believe that effective risk management is at the core of our sustainable growth strategy, and is therefore fully integrated into our planning and control cycle and our day-to-day business activities. As risk management is not purely a sequential process, this also implies that choices must be made by people on a daily basis and that everyone understands the role they have to play in the value chain.

Our business actively supports mid-sized corporates and new ventures at their most decisive moments. Also for our retail clients, we aim to support them at their decisive moments, e.g. when buying a house. Therefore, it is vital that we have the room to be inventive in our approach. Although it is the nature of our business to investigate alternative solutions and facilitate exceptions to the standard in order to service our clients efficiently, we always benchmark potential transactions against our risk appetite framework.

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

Key developments in Risk Management

Althought the economic developments are generally positive, several challenges are present that could have an adverse effect on future economic developments. Increasing geopolitical tension, the continued low-interest rate environment and the evolving monetary crisis in Turkey are examples of challenges to both our clients and the financial industry. NIBC has continued to manage its asset portfolios in line with these circumstances, focusing origination on those products and sectors that are benefiting from the positive economic climate and consolidating those portfolios that are under pressure of less favourable developments.

Risk profile

NIBC's risk profile of the performing corporate loan portfolio continued to improve in the first half of 2018, displaying a decrease of the expected loss to 29 basis points (32 bps in December 2017). Origination of corporate loans with lower expected loss than the existing portfolio has contributed to this reduction. The watchlist of corporate exposure, i.e. performing loans with hightened credit risk and therefore intensified management, decreased from EUR 508 million to EUR 202 million. This indicates an improving portfolio, although part of the outflow is related to newly impaired assets. These impairments mostly relate to the Offshore Energy portfolio, which continues to experience pressure from price levels and uncertainties in the oil market.

The Investment Loan portfolio remained stable over H1 2018, as new loans were offset by repayments on the existing portfolio. Exposure to equity investments increased during the period, driven by both positive value developments in the existing portfolio and new investments.

In line with a further improving Dutch housing market and economic growth, the residential mortgage portfolio also displayed an improved credit quality. During the period, both the expected loss and realised losses have decreased further.

- **Ongoing attention to sector developments and portfolio management in certain sectors**
  Continued headwinds in the Offshore Energy segment due to slower demand resulted in continued strict portfolio management and risk management attention. Here we proactively address the situation with our clients and, where necessary, take pre-emptive measures. Offshore Energy showed an increase of non-performing loans.

- **Improving risk awareness and strengthening of risk management processes**
  Successful implementation of IFRS 9 included the update and creation of various polices and procedures as well as continued education throughout the organisation to ensure an overall understanding of the main concepts and its implications.

Overview of Risk types

Within its risk management framework, NIBC distinguishes the following key risk categories: credit risk, investment risk, interest rate risk, market risk, liquidity risk and operational risk. Pursuing two main risks (credit and investment risk) while managing the other risk types is in line with the business strategy, where the risk appetite helps NIBC to be in control and to achieve its objectives in a sustainable and controlled way. Additionally, NIBC needs to ensure capital adequacy.

The following table displays a breakdown of NIBC's exposures (both drawn and undrawn), together with the main types of risk of these portfolios. This section discusses these risk categories and the way NIBC manages them.

Overview of main risk types

in EUR millions	Main risk types	H1 2018	FY 2017
Corporate / investment loans		9,290	9,200
Corporate loans	Credit risk	9,071	8,980
Investment loans	Credit risk	218	220
Lease receivables	Credit risk	345	282
Mortgage loans	Credit risk	9,199	9,146
Equity investments	Investment risk	398	343
Debt investments		828	850
Debt from financial institutions and corporate entities	Credit risk / Market risk	285	352
Securitisations	Credit risk / Market risk	543	498
Cash management	Credit risk	1,906	2,021
Derivatives[1]	Credit risk / Market risk	828	1,021
Funding	Liquidity risk	20,878	21,059
Capital (Incl. Tier-2 as per Basel III)	Capital Adequacy risk	1,713	1,902

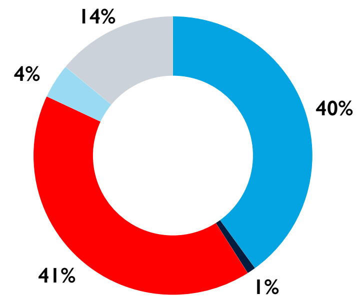
1 Based on a combination of netting and positive replacement values.

Credit Risk

NIBC defines credit risk as the current or potential threat to the company's earnings and capital as a result of a counterparty's failure to make required payments related to financial obligations on time or to comply with other conditions of the agreement. Credit risk at NIBC is present in corporate loans and investment loans, lease receivables, mortgage loans, debt investments, cash management and derivatives.

The following graphs provide a breakdown of the credit exposures of NIBC and the distribution of the corporate and investment loans into sectors.

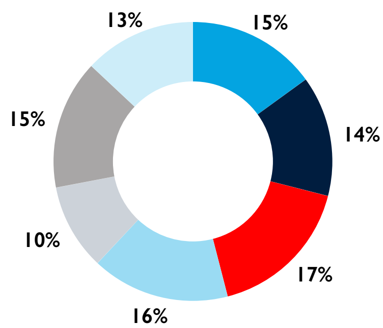
Credit risk exposure



H1 2018

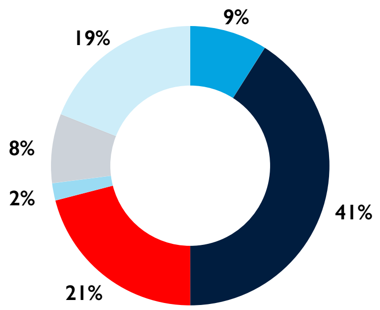
Corporate Loan portfolio | Investment Loan portfolio | Mortgage Loan portfolio | Debt Investment portfolio | Other

Corporate Loan portfolio per sector



H1 2018

Investment Loan portfolio per sector



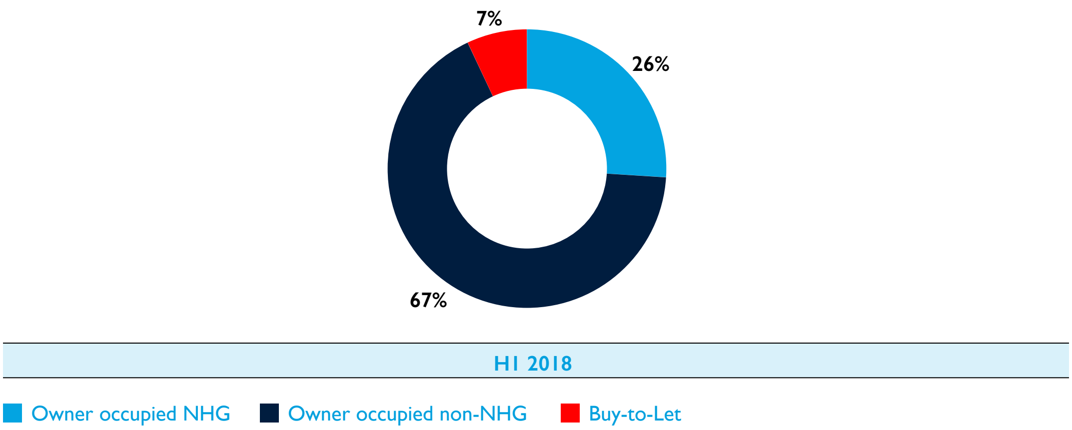
H1 2018

Commercial Real Estate | Food, Agri, Retail & Health | Industries & Manufacturing | Infrastructure & Renewables | Offshore Energy | Shipping & Intermodal | Telecom, Media, Technology & Services

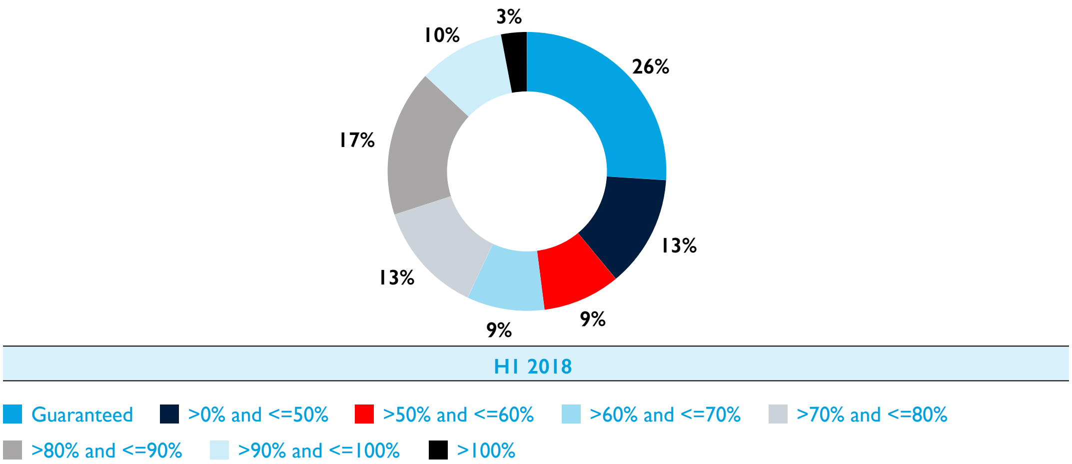
In terms of counterparty credit rating (CCR) distribution, the credit quality of the corporate client exposures is concentrated in the 5 and 6 categories on NIBC's internal rating scale (corresponding to the BB and B categories in external rating agencies' scales). The concentration of NIBC's corporate exposure in sub-investment grade is counterbalanced by the fact that almost all loans are collateralised in some form. Loans can be collateralised by mortgages on vessels and real estate, by lease and other receivables, by pledges on machinery and equipment, or by third-party guarantees and other similar agreements. As a result, NIBC's LGDs are concentrated in those LGD categories that correspond to recoveries in the range of 80% to 90%.

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

Mortgage Loan portfolio per product type



Mortgage Loan portfolio per loan-to-value bucket



Development of Credit quality

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

- Defaulted exposure: as defined by the CRR / CRD IV definition. A counterparty is considered to be in default when credit review leads to the conclusion that the probability of default is 100%;
- Impaired exposure: defined by the International Financial Reporting Standards (IFRS) accounting standard. Facilities are considered impaired if the TC decides on an impairment amount for that facility;
- Non-performing exposure: is defined in line with the European Banking Authority (EBA) definition. A client is considered non-performing if that client is in default, or if a performing forborne facility under probation is extended additional forbearance measures, or becomes more than 30 days past due;
- Forborne exposure: defined by the EBA. A client is considered to be forborne if the client is facing financial difficulties and NIBC grants a concession to the obligor.

The framework and the relationship between the different measures are illustrated in the credit quality framework which can be found on our website and in the Annual Report 2017.

Overview of credit quality measures

	H1 2018				FY 2017			
in EUR millions	Corporate exposure	Retail exposure	Total exposure		Corporate exposure	Retail exposure	Total exposure	
Defaulted exposure	567	73	640	3.5%	414	89[1]	503	2.7%
Impaired exposure	510	73	583	3.2%	321	-	321	1.7%
Non-performing exposure	590	73	663	3.6%	432	89[1]	521	2.8%
Forborne exposure	836	36	872	4.7%	850	41	891	4.9%

1 Part of the mortgage loans classified as financial assets at fair value through profit or loss.

Three of these measures report a deterioration. This is mainly related to Offshore Energy within the corporate exposures, which has seen additional impairments in the period as the adverse market circumstances continued to affect our clients in this sector. During the period, emphasis has been on ensuring adequate quality of existing and newly originated transactions. This was enforced by sound and proactive portfolio management and increased sector emphasis. Forborne exposure decreased for both corporate exposure and retail exposures.

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

	H1 2018			FY 2017		
in EUR millions	Non-performing exposure	Impaired exposure	Impairment coverage ratio[1]	Non-performing exposure	Impaired exposure	Impairment coverage ratio[2]
Corporate client exposures						
Commercial Real Estate	99	98	39%	98	98	40%
Food, Agri, Retail & Health	28	17	35%	28	16	21%
Industries & Manufacturing	50	25	42%	6	6	54%
Infrastructure & Renewables	50	7	31%	51	51	30%
Offshore Energy	248	248	28%	173	92	54%
Shipping & Intermodal	78	78	20%	48	48	32%
Telecom, Media, Technology & Services	37	37	26%	28	9	29%
Total corporate client exposures	**590**	**510**	**30%**	**432**	**321**	**40%**
Retail client exposures						
Mortgage loans	73	73	69%	88	-	-
Buy-to-let mortgages	-	-	-	0	-	-
Total retail client exposures	**73**	**73**	**69%**	**89**	**-**	**-**
Total exposures	**663**	**583**	**35%**	**521**	**321**	**40%**

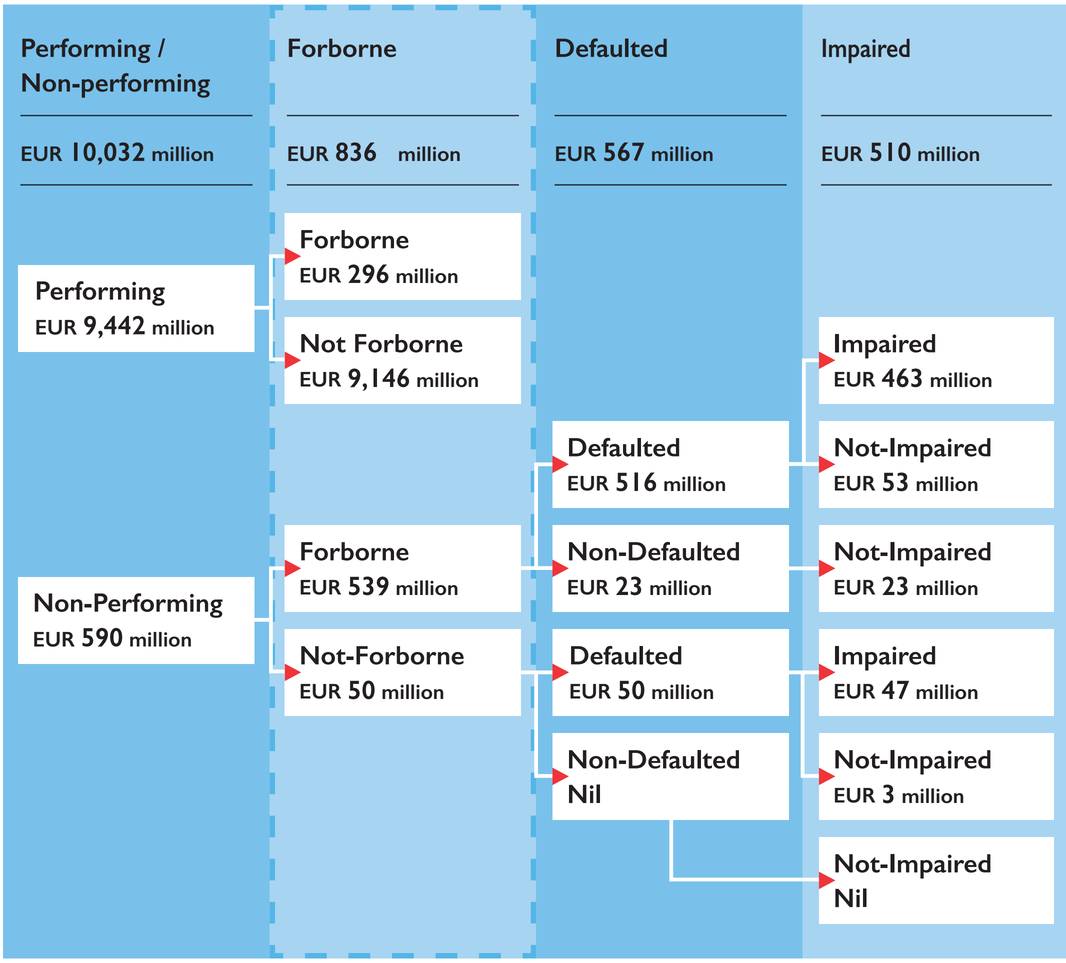
1 Impairment coverage ratio includes IFRS 9 Stage 3 assets only.
2 Impairment coverage ratio excludes IBNR amounts.

Total corporate client exposures report an increase in both non-performing exposure and impaired exposure. The movement in impaired exposure is influenced by movements between classifications as a result of the implementation of IFRS 9; however, it also reflects additional impairments, mainly in Offshore Energy. This is also reflected in the movement of the non-performing exposure.

The movement in impaired exposure of mortgage loans is caused by the implementation of IFRS 9. The impaired exposure per H1 2018 is related to the portfolio that was previously classified as fair value through profit or loss. Consequently, the exposure could not be impaired, as the definition only applied to assets classified as loans and receivables at amortised cost or available for sale under IAS 39. As non-performing positions are not impacted by the transition to IFRS 9, the movement in non-performing exposure provides a more accurate indication of the development of the credit quality of the mortgage loans, which improved during H1 2018.

In 2018, acceptance criteria were further adjusted, to bring these in line with the new regulation. The maximum LTV for new mortgages was lowered to 100% (106% for energy efficient measures). The maximum NHG guaranteed loan amount was increased to 265,000 euro.

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



Investment Risk

Investment risk, which relates to NIBC's equity investments, is the risk that the value of the investments will deteriorate. These equity investments can be broken down into direct and indirect investments. Indirect investments are made through funds and direct investments are all other investments and consist of private and listed common equity investments, preference shares and warrants.

NIBC's investment process is based on the following investment risk management principles:

- NIBC seeks to ensure that risk exposures are authorised independently from the business originators;
- NIBC performs systematic risk analysis of the investment, with a view to identifying, measuring, and evaluating all risks;
- NIBC embeds 'know your customer' principles, corporate social responsibilty and customer due diligence as integral parts of the overall investment process.

Composition of investment exposure
The following tables show the total amounts and the breakdown of the Equity Investment portfolio in sectors and regions. NIBC's off-balance commitments amounted to EUR 66 million at 30 June 2018 (31 December 2017: EUR 12 million).

Breakdown of equity investments per sector

in EUR millions	H1 2018	FY 2017
Commercial Real Estate	32	39
Food, Agri, Retail & Health	53	57
Industries & Manufacturing	23	16
Infrastructure & Renewables	127	129
Offshore Energy	3	3
Shipping & Intermodal	-	-
Telecom, Media, Technology & Services	159	98
Total	**398**	**343**

Breakdown of equity investments per region

in EUR millions	H1 2018	FY 2017
The Netherlands	268	268
Germany	66	10
United Kingdom	25	24
Rest of Europe	4	4
North America	36	37
Other	-	-
Total	**398**	**343**

Market Risk

The predominant market risk drivers for NIBC are interest rate risk and credit spread risk.

The overall market risk in NIBC's Trading book is limited, as is also exhibited by the amount of Basel III / Pillar I regulatory capital required for this activity, which only comprises 2.5% of the total regulatory capital.

NIBC does not actively take currency positions. Currency positions that exceed small facilitating limits are hedged. NIBC's overall open foreign currency position was EUR 1.1 million at the end of June 2018.

Liquidity Risk

Liquidity risk represents a company's inability to fund its assets and meet its obligations as they become due, at an acceptable cost.

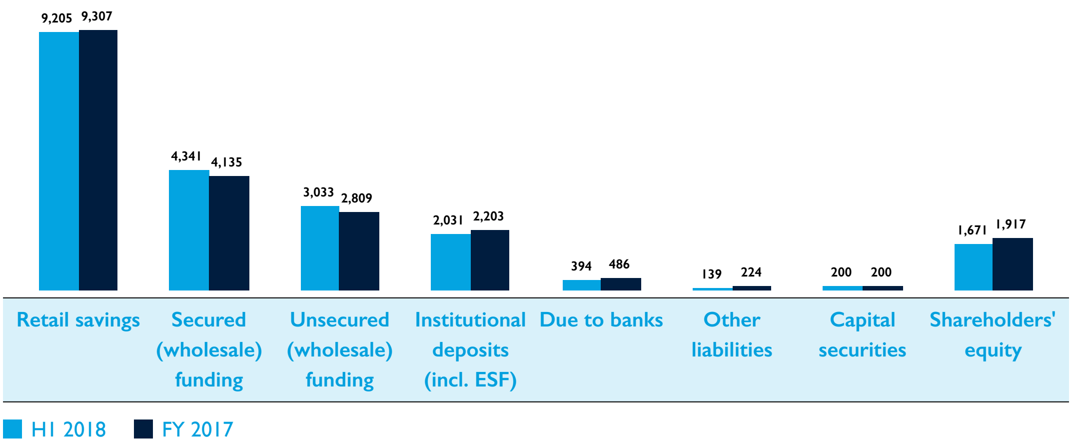
NIBC strives to maintain a comfortable liquidity position at all times. NIBC has developed a comprehensive liquidity management framework, within which we manage a sound liquidity position taking into account both normal and adverse conditions, such that we can continue adding value to our clients at decisive moments. We manage the maturity profile of our liabilities in relation to our asset base and we maintain liquidity buffers which enable us to meet current and potential requirements at a consolidated, parent and subsidiary level.

Funding

NIBC actively managed its diversified funding base in H1 2018. In January 2018, NIBC issued a 10-year Conditional Pass-Through Covered Bond transaction of EUR 500 million, followed by a 5-year Senior Preferred transaction of EUR 500 million in April 2018. In addition, NIBC issued several senior unsecured private placements of EUR 170 million. Our retail savings remained sticky with limited movement. Inflow of funds in the Netherlands combined with outflow in Germany and Belgium has led to balance of EUR 9.2 billion at H1 2018. The ESF funding portfolio remained relatively stable at EUR 1.2 billion. Overall, NIBC has been able to effectively use the various instruments and markets to maintain a well-balanced funding portfolio.

An overview of the funding portfolio at 30 June 2018 and 31 December 2017 is shown in the following chart. The funding overview is based on the carrying value in the balance sheet.

Breakdown of funding



Operational Risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Legal risk, compliance risk and reputational risk are included in the definition. NIBC is exposed to operational risk related to routine processing errors, as well as extraordinary events, such as significant system failures, legal and/or regulatory matters.

NIBC strives for a 'no surprises' operating environment, managing operational risk across all our business lines, banking activities and countries in a transparent and consistent way. Key is that every NIBC business unit and international office (first line) has an operational risk 'champion'. These employees assess their department's activities for potential operational risks, monitor the control mechanisms in place to mitigate these, coordinate ways of resolving loss-making events and promote awareness for operational risks within their departments. This has created a valuable network of experts that shares its knowledge and expertise across the bank.

Operational risk in all its facets – including compliance and regulation, legal risk, dealing with integrity, change management and technology risk, reputation and conduct risk – is a key part of a bank's overall risk management practice. Doing more business generally implies more risk that must be properly understood and managed. As such, NIBC's risk appetite framework includes specific risk appetite statements for operational risk.

Capital Adequacy

Regulatory capital

The principal ratios for reviewing NIBC's capital adequacy are the CRR / CRD IV capital ratios: the Common Equity Tier 1 ratio, the Tier 1 ratio and the Total Capital ratio. CRR / CRD IV standards are in effect as of January 2014.

With strong capital ratios at year-end 2017, NIBC has been able to absorb the effects of the transition to IFRS 9 and remain well capitalised. The ratios at H1 2018 are well above the minimum capital requirements imposed by the CRR / CRD IV, which require a minimum Tier 1 ratio of 6% and a minimum Total Capital ratio of 8%, excluding capital buffers.

The following table reports both the ratios and RWA of the 2018 opening balance, reflecting the impact of the implementation of IFRS 9, and the ratios and RWA per H1 2018. NIBC actively manages its RWA position. Credit risk has decreased slightly, reflecting portfolio movements and credit migration within the portfolio. Market risk increased mainly because of larger transaction volumes. Operational risk relates, amongst others, to a moving average of the net resut of prior periods. With NIBC's improving performance over the past years, operational risk increases accordingly. RWA related to credit value adjustments has decreased primarily as a result of lower derivative exposures. Of the total capital requirement, 87% relates to credit risk, 10% to operational risk, 2.5% to market risk and 0.6% credit value adjustment.

NIBC (fully loaded) capital ratios, CRR / CRD IV

	IFRS 9 H1 2018[1]	IFRS 9 1 Jan 2018	IAS 39 FY 2017[1]
Capital ratios (in %)			
Common Equity Tier 1 ratio	16.4%	16.1%	19.3%
Tier 1 ratio	17.7%	17.4%	20.4%
Total Capital ratio	19.7%	19.4%	22.2%
Risk weighted assets (in EUR millions)			
Credit risk	7,507	7,548	7,588
Market risk	218	130	130
Operational risk	899	784	784
Credit value adjustment	52	83	83
Total RWA	**8,676**	**8,545**	**8,584**

1 Based on CRR/CRD IV standards, including the profit after tax for the year and taking into account the proposed dividend payment.

Economic capital

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

RESPONSIBILITY STATEMENT

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

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

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

The Hague, 28 August 2018

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT NIBC HOLDING N.V.

CONDENSED CONSOLIDATED INCOME STATEMENT

in EUR millions	note[1]	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Interest and similar income	2	287	265
Interest expense and similar charges	2	80	98
Net interest income		**207**	**167**
Fee and commission income	3	21	20
Fee and commission expense	3	-	-
Net fee and commission income		**21**	**20**
Investment income	4	21	27
Net trading income	5	3	10
Net income from assets and liabilities at fair value through profit or loss	6	-	58
Net gain or (losses) on derecognition of financial assets measured at amortised cost		-	-
Other operating income	7	2	-
Operating income		**254**	**282**
Personnel expenses and share-based payments	8	53	55
Other operating expenses	9	55	41
Depreciation and amortisation		3	3
Regulatory charges and levies	10	9	9
Operating expenses		**120**	**108**
Credit loss expense / (recovery)	11	21	33
Profit before tax		**113**	**141**
Tax	12	23	34
Profit after tax		**90**	**107**
Attributable to:			
Shareholders of the company		84	107
Holders of capital securities (non-controlling interest)[2]		6	-
Other non-controlling interests		-	-

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

Earnings per share

in EUR	note[1]	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Basic earnings per share	13	0.57	0.73
Diluted earnings per share	13	0.57	0.73

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the period ended 30-Jun-18			For the period ended 30-Jun-17		
in EUR millions	Before tax	Tax charge/ (credit)	After tax	Before tax	Tax charge/ (credit)	After tax
Profit for the period	**113**	**23**	**90**	**141**	**34**	**107**
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Revaluation of property and equipment	-	-	-	-	-	-
Movement in the fair value of own credit risk of financial liabilities designated at fair value through profit or loss	2	1	1	(19)	(5)	(14)
Items that may be reclassified subsequently to profit or loss						
Net result on hedging instruments	(8)	(2)	(6)	(17)	(4)	(13)
Financial assets at available-for-sale						
Revaluation of equity investments	-	-	-	3	1	2
Revaluation of debt investments	-	-	-	6	1	5
Financial assets measured at fair value through other comprehensive income						
Movement in revaluation reserves for debt investments at FVOCI	(2)	(1)	(1)	-	-	-
Net result on financial assets at FVOCI to profit or loss on disposal	-	-	-	-	-	-
Total other comprehensive income	**(8)**	**(2)**	**(6)**	**(27)**	**(7)**	**(20)**
Total comprehensive income	**105**	**21**	**84**	**114**	**27**	**87**
Total comprehensive income attributable to						
Shareholders of the parent company	99	21	78	114	27	87
Holders of capital securities (non-controlling interest)	6	-	6	-	-	-
Other non-controlling interests	-	-	-	-	-	-
Total comprehensive income	**105**	**21**	**84**	**114**	**27**	**87**

CONSOLIDATED BALANCE SHEET

Assets

in EUR millions	note[1]	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Financial assets at amortised cost			
Cash and balances with central banks		1,580	1,604
Due from other banks		851	965
Loans and receivables			
Loans	14	7,576	7,473
Mortgage loans	15	9,381	4,412
Securitised mortgage loans	16	-	-
Debt investments	17	-	59
Financial assets at available-for-sale			
Equity investments		-	36
Debt investments	18	-	823
Financial assets at fair value through other comprehensive income			
Debt investments	19	743	-
Financial assets at fair value through profit or loss (including trading)			
Loans	20	122	181
Mortgage loans	21	-	4,581
Securitised mortgage loans	22	-	338
Equity investments (including investments in associates)		330	287
Debt investments	23	85	31
Derivative financial instruments		828	1,021
Other			
Investments in associates and joint ventures (equity method)		10	10
Intangible assets		2	3
Property and equipment		58	62
Investment property	24	-	-
Current tax	25	40	1
Deferred tax assets	25	91	38
Other assets		53	62
Assets of disposal group classified as held for sale	26	24	161
Total assets		**21,774**	**22,148**

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

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

Liabilities and equity

in EUR millions	note[1]	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Financial liabilities at amortised cost			
Due to other banks		1,737	1,834
Deposits from customers		11,237	11,510
Own debt securities in issue	27	5,316	4,392
Debt securities in issue related to securitised mortgages and lease receivables	28	-	267
Financial liabilities at fair value through profit or loss (including trading)			
Own debt securities in issue	29	39	38
Debt securities in issue structured	30	386	616
Derivative financial instruments		761	863
Other financial liabilities		1	-
Other			
Provisions	31	2	-
Other liabilities		76	113
Current tax		31	1
Deferred tax liabilities		6	4
Employee benefits		3	3
Liabilities of disposal group classified as held for sale	26	20	104
Subordinated liabilities			
Amortised cost	32	114	115
Fair value through profit or loss	33	174	167
Total liabilities		**19,903**	**20,027**
Equity			
Share capital	34	3	148
Share premium		1,286	1,138
Other reserves		87	93
Retained earnings including profit for the period		293	539
Equity attributable to the shareholders		**1,669**	**1,918**
Capital securities (non-controlling interests)	35	200	200
Equity attributable to other non-controlling interests		2	3
Total equity		**1,871**	**2,121**
Total liabilities and equity		**21,774**	**22,148**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR millions	Share capital	Share premium	Revaluation reserves[1]	Retained earnings	Profit after tax	Equity of the parent company	Capital securities	Other non-controlling interests	Total equity
	Attributable to:								
Balance at 1 January 2018 before the adoption of IFRS 9	**148**	**1,138**	**93**	**323**	**216**	**1,918**	**200**	**3**	**2,121**
Effect of adoption of IFRS 9	-	-	-	(260)	-	(260)	-	-	(260)
Restated balance at 1 January 2018 after the adoption of IFRS 9	**148**	**1,138**	**93**	**63**	**216**	**1,658**	**200**	**3**	**1,861**
Transfer of net profit 2017 to retained earnings	-	-	-	150	(150)	-	-	-	-
Change of nominal value outstanding ordinary shares	(145)	145	-	-	-	-	-	-	-
Total comprehensive income for the period ended 30 June 2018	-	-	(6)	-	90	84	-	-	84
Other	-	3	-	(3)	-	-	-	(1)	(1)
Distributions:									
- Paid coupon on capital securities	-	-	-	(4)	(3)	(7)	-	-	(7)
- Paid dividend 2017	-	-	-	-	(66)	(66)	-	-	(66)
Balance at 30 June 2018	**3**	**1,286**	**87**	**206**	**87**	**1,669**	**200**	**2**	**1,871**

1 Revaluation reserves include hedging reserve.

in EUR millions	Attributable to: Share capital	Share premium	Revaluation reserves[1]	Retained earnings	Profit after tax	Equity of the parent company	Capital securities	Other non-controlling interests	Total equity
Balance at 1 January 2017	**148**	**2,279**	**153**	**(867)**	**104**	**1,817**	**-**	**3**	**1,820**
Transfer of net profit 2016 to retained earnings	-	-	-	104	(104)	-	-	-	-
Total comprehensive income for the period ended 30 June 2017	-	-	(20)	-	107	87	-	-	87
Other	-	-	(1)	-	-	(1)	-	-	(1)
Distributions:									
- Paid dividend 2016	-	(25)	-	-	-	(25)	-	-	(25)
Balance at 30 June 2017	**148**	**2,254**	**132**	**(763)**	**107**	**1,878**	**-**	**3**	**1,881**

1 Revaluation reserves include hedging reserve.

Available distributable amount

in EUR millions	For the period ended 30-Jun-18
Equity[1]	1,669
Share capital	(3)
Within retained earnings	(63)
Revaluation reserves	(33)
Legal reserve profit participation	(1)
Legal reserves	**(97)**
Available distributable amount	**1,569**

1 Excluding capital securities and non-controlling interests.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Operating profit before tax	90	87
Non-cash items recognised in operating before tax	27	71
Net change in assets and liabilities relating to operating activities	(506)	623
Cash flows from operating activities[1]	**(389)**	**781**
Cash flows from investing activities	(22)	(27)
Cash flows from financing activities	358	50
Net change in cash and cash equivalents	**(53)**	**804**
Cash and cash equivalents at 1 January	**1,782**	**1,213**
Net foreign exchange difference	3	(3)
Net changes in cash and cash equivalents	(53)	807
Cash and cash equivalents at 30 June	**1,732**	**2,017**
Reconciliation of cash and cash equivalents:[2]		
Cash and balances with central banks (maturity three months or less)	1,431	1,635
Due from other banks (maturity three months or less)	301	382
	1,732	**2,017**

1 Includes all assets excluding derivatives, intangible assets and current tax and includes all liabilities excluding derivatives.
2 The difference between the cash and cash equivalents as included in the previous table and the cash and balances with central banks as included in the interim consolidated balance sheet represents cash and cash equivalents not receivable on demand and cash collateral placements posted under CSA agreements.

ACCOUNTING POLICIES

Corporate information

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

NIBC is an enterprising bank offering corporate and retail client services. Our corporate client activities offer corporate finance & capital markets, financing and investing in a number of chosen sectors: Food, Agri, Retail & Health; Commercial Real Estate; Industries & Manufacturing; Infrastructure & Renewables; Offshore and Energy, Shipping & Intermodal; and Telecom, Media, Technology & Services. Our expertise spans senior, mezzanine and equity financing, leveraged finance, structured finance, mergers & acquisitions, capital advisory and capital market solutions and equity and fixed income brokerage and research. Retail client activities offer savings in the Netherlands, Germany and Belgium, mortgages in the Netherlands and brokerage services in Germany under our NIBC Direct label.

Basis of preparation

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

This condensed consolidated interim financial report was approved by the Managing Board on 28 August 2018 and is published including a review report by the external auditor.

This condensed consolidated interim financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with NIBC's consolidated financial statements for the year ended 31 December 2017, which were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (together **IFRS-EU**).

The accounting policies used in this condensed consolidated interim financial report are consistent with those set out in the notes to the 2017 consolidated financial statements of NIBC, except for the changes in accounting policies described below. NIBC's consolidated financial statements for 2017 is available on NIBC's website.

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

Certain amounts recorded in the condensed consolidated interim financial information reflect estimates and assumptions made by management. Actual results may differ from the estimates made. Interim results are not necessarily indicative of full-year results.

Application of new IFRS-EU accounting standards

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

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

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

IFRS 9 Financial Instruments

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

I. Introduction

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

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

III. Transition impact IFRS 9

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

I. Introduction

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

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

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

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

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

a. Classification, measurement and presentation

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

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

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

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

Business model assessment

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

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

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

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

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

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

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

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

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

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

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

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

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

b. Interest income and expense

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

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

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

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

c. Expected credit losses (ECL)

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

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

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

Recognition of expected credit losses

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

ECL are recognised on the following basis:

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

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

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

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

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

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

Default and credit impairment

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

1. NIBC considers that the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by NIBC to actions such as realising security (if held);
2. The obligor is past due more than 90 days on any material credit obligation to the Group.

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

Measurement of ECL

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

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

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

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

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

The measurement of the ECL is summarised as follows:

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

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

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

Scenarios and scenario weights

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

Economic scenarios and weights applied

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

Macro-economic and other factors

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

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

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

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

ECL Measurement period

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

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

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

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

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

Critical accounting estimates and judgments
The calculation of ECL requires management to apply significant judgment and make estimates and assumptions that involve significant uncertainty at the time they are made. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECL to be recognised.

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

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

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

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

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

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

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

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

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

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

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

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

III. Transition impact IFRS 9

a. Transition to classification and measurement requirements

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

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

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

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

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

Effect on NIBC income statement presentation

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

b. Transition to expected credit loss requirements

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

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

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

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

The table on the following page provides a detailed overview of the IFRS 9 transition effects as of 1 January 2018. This includes:

- reclassification of IAS 39 carrying amounts to the new categories applicable under IFRS 9;
- remeasurement of carrying amounts due to reclassification;
- recognition of IFRS 9 ECL and reversal of IAS 39 allowances.

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

Reclassification and remeasurement of carrying amounts and recognition of ECL

Assets

in EUR millions	31 December 2017 Carrying amount (IAS 39)	Reclassification (of IAS39 carrying amount)	Remeasurement due to reclassification	Recognition of ECL	1 January 2018 Carrying amount (IFRS 9)
Financial assets at amortised cost					
Cash and balances with central banks	1,604	-	-	-	1,604
Due from other banks	965	-	-	-	965
Loans and receivables					
Loans	**7,473**	**68**	**13**	**(9)**	**7,545**
From: Financial assets at fair value through profit or loss		180	13	(9)	
To: Financial assets at fair value through profit or loss		(112)	-	-	
Mortgage loans own book	**4,412**	**4,581**	**(299)**	**(13)**	**8,681**
From: Financial assets at fair value through profit or loss		4,581	(299)	(13)	
Securitised mortgage loans	**-**	**338**	**(22)**	**-**	**316**
From: Financial assets at fair value through profit or loss		338	(22)	-	
Debt investments	**59**	**98**	**6**	**-**	**163**
To: Financial assets at fair value through other comprehensive income		(14)	-	-	
To: Financial assets at fair value through profit or loss		(46)	-	-	
From: Financial assets available for sale		158	6	-	
Financial asset available for sale					
Equity investments	**36**	**(36)**	**-**	**-**	**-**
To: Financial assets at fair value through profit or loss		(36)	-	-	
Debt investments	**823**	**(823)**	**-**	**-**	**-**
To: Financial assets at amortised cost		(158)	-	-	
To: Financial assets at fair value through other comprehensive income		(651)	-	-	
To: Financial assets at fair value through profit or loss		(14)	-	-	
Financial assets at fair value through other comprehensive income					
Debt investments	**-**	**665**	**-**	**(1)**	**664**
From: Financial assets at amortised cost		14	-	(1)	
From: Financial assets available for sale		651	-	-	
Financial assets at fair value through profit or loss (including trading)					
Loans	**181**	**(68)**	**(19)**	**-**	**94**
From: Financial assets at amortised cost		112	(19)	-	
To: Financial assets at amortised cost		(180)	-	-	
Mortgage loans own book	**4,581**	**(4,581)**	**-**	**-**	**-**
To: Financial assets at amortised cost		(4,581)	-	-	
Securitised mortgage loans	**338**	**(338)**	**-**	**-**	**-**
To: Financial assets at amortised cost		(338)	-	-	
Equity Investments (including investments in associates)	**287**	**36**	**-**	**-**	**323**
From: Financial assets available for sale		36	-	-	
Debt investments	**31**	**60**	**(4)**	**-**	**87**
From: Financial assets at amortised cost		46	(4)	-	
From: Financial assets available for sale		14	-	-	
Derivative financial assets	**1,021**	**-**	**-**	**-**	**1,021**

in EUR millions	31 December 2017 Carrying amount (IAS 39)	Reclassification (of IAS39 carrying amount)	Remeasurement due to reclassification	Recognition of ECL	1 January 2018 Carrying amount (IFRS 9)
Other					
Investments in associates and joint ventures (equity method)	10	-	-	-	10
Intangible assets	3	-	-	-	3
Property, plant and equipment	62	-	-	-	62
Current tax	1	-	86	5	92
Deffered tax	38	-	-	-	38
Other assets	62	-	-	-	62
Assets of disposal group classified as held for sale	161	-	-	-	161
Total assets	**22,148**	**-**	**(239)**	**(18)**	**21,891**

Liabilities and equity

in EUR millions	31 December 2017 Carrying amount (IAS 39)	Reclassification (of IAS39 carrying amount)	Remeasurement due to reclassification	Recognition of ECL	1 January 2018 Carrying amount (IFRS 9)
Financial liabilities at amortised cost					
Due to other banks	1,834	-	-	-	1,834
Deposits from customers	11,510	-	-	-	11,510
Own debt securities in issue	4,392	-	-	-	4,392
Debt securities in issue related to securitised mortgages and lease receivables	267	-	-	-	267
Financial liabilities at fair value through profit or loss (including trading)					
Own debt securities in issue	38	-	-	-	38
Debt securities in issue structured	616	-	-	-	616
Derivative financial liabilities	863	-	-	-	863
Other					
Provisions	-	-	-	3	3
Other liabilities	113	-	-	-	113
Current tax	1	-	-	-	1
Deffered tax	4	-	-	-	4
Employee benefits	3	-	-	-	3
Liabilities of disposal group classified as held for sale	104	-	-	-	104
Subordinated liabilities					
Amortised cost	115	-	-	-	115
Fair value through profit or loss	167	-	-	-	167
Total liabilities	**20,027**	**-**	**-**	**3**	**20,030**
Equity					
Share capital	148	-	-	-	148
Share premium	1,138	-	-	-	1,138
Other reserves	93	-	(2)	2	93
Retained earnings including profit for the period	539	-	(239)	(21)	279
Equity attributable to the parent company	**1,918**	**-**	**(241)**	**(19)**	**1,658**
Capital securities (non-controlling interest)	200	-	-	-	200
Equity attributable to other non-controlling interests	3	-	-	-	3
Equity attributable to the parent company	**2,121**	**-**	**(241)**	**(19)**	**1,861**
Total liabilities and equity	**22,148**	**-**	**(241)**	**(16)**	**21,891**

d. Reconciliation of allowances and provisions

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

in EUR million	31 December 2017 Credit loss allowances (IAS 39)	Reclassification of financial instruments	Recognition of ECL	1 January 2018 Credit loss allowances (IFRS 9)
Impairment allowance for				
Cash and balances with central banks	-	-	-	-
Due from other banks	-	-	-	-
Loans amortised cost	147	(4)	8	151
Mortgages at amortised cost	2	46	13	61
Debt investments available for sale per IAS 39 / Debt investments at amortised cost under IFRS 9	-	-	-	-
Debt investments available for sale per IAS 39 / debt investments at fair value through other comprehensive income under IFRS 9	4	(4)	-	-
Debt Investments Amortised cost debt investment securities per IAS 39/ debt investments at fair value through other comprehensive income under IFRS 9	-	-	-	-
Debt Investments Amortised cost debt investment securities per IAS 39/ debt investments at fair value through profit or loss under IFRS 9	20	(20)	-	-
	173	**18**	**21**	**212**
Provisions for undrawn commitments and other financial guarantees	-	-	(3)	(3)
	173	**18**	**18**	**209**

e. IFRS 9 transition impact on equity

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

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

in EUR million	
Retained earnings	
Balance as at 31 December 2017 (IAS 39)	**539**
Remeasurement effect from reclassification of financial assets	
from FVtPL to AC	(329)
from AC to FVtPL	(23)
from AFS to FVtPL	5
Recognition of expected credit loss including those measured at fair value through other comprehensive income	(1)
Corporate income tax in relation to the above	88
Balance as at 1 January 2018 (IFRS 9)	**279**
Total change in equity due to adopting IFRS 9	**(260)**

Amendments to IFRS 9: Prepayment Features with Negative Compensation

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

IFRS 15 Revenue from Contracts with Customers

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

Clarifications to IFRS 15 Revenue from Contracts with Customers

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

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

IFRIC 22, Foreign Currency Transactions and Advance Consideration

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

Amendments to IAS 40 Transfers of Investment Property

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

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

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

Annual Improvements to IFRS Standards 2014- 2016 Cycle

This cycle contains amendments to the following standards:

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

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

Future application of new IFRS-EU accounting standards

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

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

NOTES TO THE (CONDENSED) CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Segment report

Segment information is presented in these consolidated financial statements on the same basis as used for internal management reporting within NIBC Holding. Segment reporting puts forth a presentation of the segment results based on management reporting methods and a reconciliation between the results of the operating segments and the consolidated financial statements. The Managing Board is the Group's chief operating decision-maker.

Operating segments

The operating segments are as follows:

Corporate client offering

Corporate client offering provides advice and debt, mezzanine and equity financing solutions to mid-sized companies and entrepreneurs in the Netherlands, Germany and the UK. Sectors in which we are active include Commercial Real Estate, Food, Agriculture, Retail & Health, Infrastructure & Renewables, Industries & Manufacturing, Telecom, Media, Technology & Services. Furthermore, we are active in two global sectors in which we have longstanding expertise: Offshore Energy and Shipping & Intermodal. This segment also includes NIBC Markets..

Retail client offering

Retail client offering offers savings products and mortgage loans to consumers who are seeking to actively manage their financial objectives. Savings products are offered in the Netherlands, Germany and Belgium, and mortgage loans are offered in the Netherlands. We also offer brokerage services in Germany under our label 'NIBC Direct'.

Treasury and Group Functions

Treasury and Group functions includes the Bank's treasury function, asset and liability management, risk management and the bank's Corporate Centre which includes HR & Corporate Communications, Internal Audit, Legal & Compliance, Sustainability, Operations & Facilities, Technology, and Finance, Tax & Strategy. A substantial part of the operating expenses as well as the full time equivalents of Group functions are allocated to corporate and retail client offering..

No operating segments have been aggregated to form the above-mentioned segments. Transfer prices between operating segments are at an arm's length basis in a manner similar to transactions with third parties.

Certain financial assets and liabilities are not allocated to Corporate client offering and Retail client offering as they are managed on a group basis. These financial assets and liabilities are held within the segment Treasury and Group functions and mainly comprise cash, debt investments, derivative assets and liabilities as well as majority of the 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 Holding's external funding is held within Treasury and Group functions..

Inter-segment income and expenses are eliminated on consolidation level.

Reconciliation with consolidated income statement

The accounting policies of the segments are the same as those described in our Accounting Policies section.

NIBC Holding operates in four geographical locations namely the Netherlands, Germany, the UK and Belgium. The income and expenses incurred at each location are disclosed in a separate table.

The following table presents the Segment report comprising of a summary of our internal management report and the reconciliation to the consolidated results under IFRS for the periods ended 30 June 2018 and 30 June 2017.

in EUR millions	Corporate client offering	Retail client offering	Treasury & Group functions	Total Bank (consoli-dated financial state-ments)	Holding items	Total Holding (consoli-dated financial state-ments)
	For the period ended 30 June 2018					
Net interest income	101	65	48	215	(8)	207
Net fee and commission income	15	5	-	21	-	21
Investment income	21	-	-	21	-	21
Net trading income	1	-	2	2	-	3
Net income from assets and liabilities at fair value through profit or loss	3	-	(4)	(1)	2	-
Net gain or (losses) on derecognition of financial assets measured at amortised cost	-	-	-	-	-	-
Other operating income	-	-	-	-	2	2
Operating income	**141**	**71**	**46**	**258**	**(4)**	**254**
Regulatory charges and levies	-	4	5	9	-	9
Other operating expenses[1]	57	26	18	101	10	111
Operating expenses	**57**	**30**	**23**	**110**	**10**	**120**
Credit loss expense / (recovery)	24	(3)	(1)	21	-	21
Profit before tax	**60**	**43**	**24**	**127**	**(14)**	**113**
Tax	10	11	5	26	(3)	23
Profit after tax	**50**	**32**	**19**	**101**	**(11)**	**90**
Attributable to:						
Shareholders of the company				95	(11)	84
Holders of capital securities (non-controlling interests)				6	-	6
Other non-controlling interests				-	-	-
Total FTEs	485	131	38	654	32	686
EC Usage (start of the year)	914	206	227	1,347	-	1,347
Available capital (start of the year)				1,738	(144)	1,594
ROE (SBU based on EC Usage)	10.9%	31.6%	17.0%	14.2%		12.4%
ROE (on available capital)				11.0%		10.5%
Cost/income ratio	41%	43%		43%		47%
Segment assets	8,295	9,198	4,435	21,928	(154)	21,774
Return on assets	1.2%	0.7%	0.9%	0.9%		0.8%
Risk-weighted assets	6,651	1,264	707	8,622	55	8,676

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

	For the period ended 30 June 2018				
in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
Operating income	209	35	6	4	254
Operating expenses	94	18	7	2	120
Credit loss expense / (recovery)	17	4	-	-	21
Profit before tax	**98**	**13**	**(1)**	**3**	**113**
Tax	18	5	-	-	23
Profit after tax	**80**	**8**	**(2)**	**2**	**90**
FTEs	569	78	34	5	686

Operating income per sector per country

	For the period ended 30 June 2018				
in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
Corporate Client Offering					
Commercial Real Estate (CRE)	22	-	-	-	22
Food, Agriculture, Retail & Health (FAR&H)	8	5	-	-	13
Industries & Manufacturing (I&M)	14	5	-	-	20
Infrastructure & Renewables (I&R)	13	3	3	-	18
Offshore Energy (OE)	8	-	-	-	8
Shipping & Intermodal (S&I)	8	-	-	-	8
Telecom, Media, Technology & Services (TMT&S)	11	5	-	-	16
Other Corporate Client Offering	31	-	1	-	32
Retail Client Offering	52	15	-	4	71
Treasury	42	2	3	-	46
	209	**35**	**6**	**4**	**254**

	For the period ended 30 June 2017					
in EUR millions	Corporate client offering	Retail client offering	Treasury & Group functions	Total Bank (consolidated financial statements)	Holding items	Total Holding (consolidated financial statements)
Net interest income	99	63	15	177	(10)	167
Net fee and commission income	19	1	-	20	-	20
Investment income	26	-	-	27	-	27
Net trading income	5	-	3	8	2	10
Net income from other financial instruments at fair value through profit or loss	2	(5)	(3)	(6)	64	58
Net gain or (losses) on derecognition of financial assets measured at amortised cost	-	-	-	-	-	-
Other operating income	-	-	-	-	-	-
Operating income	**151**	**60**	**15**	**226**	**56**	**282**
Regulatory charges and levies	-	5	4	9	-	9
Other operating expenses[1]	56	23	17	96	3	99
Operating expenses	**56**	**28**	**21**	**105**	**3**	**108**
Impairments of financial assets	12	-	-	12	21	33
Profit before tax	**83**	**33**	**(6)**	**109**	**32**	**141**
Tax	15	8	(1)	22	12	34
Profit after tax	**68**	**25**	**(5)**	**87**	**20**	**107**
Attributable to:						
Shareholders of the parent company				87	20	107
Holders of capital securities (non-controlling interests)				-	-	-
Other non-controlling interests				-	-	-
Total FTEs	478	121	74	673	18	691
EC Usage (start of the year)	1,154	363	139	1,656	-	1,656
Available capital (start of the year)				1,944	(152)	1,792
ROE (SBU based on EC Usage)	11.7%	13.5%	-7.0%	10.6%		12.9%
ROE (on available capital)				8.9%		11.8%
Cost/income ratio	37%	46%		46%		38%
Segment assets	8,523	9,075	6,171	23,769	(131)	23,638
Return on assets	1.6%	0.6%	-0.2%	0.7%		0.9%
Risk-weighted assets	6,436	1,342	995	8,773	94	8,867

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

	For the period ended 30 June 2017				
in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
Operating income	243	29	5	5	282
Operating expenses	91	12	4	1	108
Impairments of financial assets	33	-	-	-	33
Profit before tax	**119**	**18**	**1**	**4**	**141**
Tax	32	1	-	-	34
Profit after tax	**86**	**16**	**1**	**3**	**107**
FTEs	570	85	32	4	691

Operating income per sector per country

	For the period ended 30 June 2017				
in EUR millions	The Netherlands	Germany	United Kingdom	Belgium	Total
Corporate Client Offering					
Commercial Real Estate (CRE)	41	-	-	-	41
Food, Agriculture, Retail & Health (FAR&H)	10	6	-	-	16
Industries & Manufacturing (I&M)	13	6	-	-	19
Infrastructure & Renewables (I&R)	8	2	1	-	11
Offshore Energy (OE)	10	-	-	-	10
Shipping & Intermodal (S&I)	11	-	-	-	11
Telecom, Media, Technology & Services (TMT&S)	10	6	-	-	16
Other Corporate Client Offering	43	-	2	-	44
Retail Client Offering	41	15	-	5	61
Treasury	54	(4)	3	-	53
	243	**29**	**5**	**5**	**282**

2 Net interest income

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Interest and similar income		
Interest income from financial instruments measured at amortised cost and fair value through other comprehensive income	261	197
Interest income from financial instruments measured at fair value through profit or loss	26	68
	287	**265**
Interest expense and similar charges		
Interest expense from financial instruments measured at amortised cost	76	88
Interest expense from financial instruments measured at fair value through profit or loss	4	10
	80	**98**
	207	**167**

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

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

3 Net fee and commission income

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

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

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

4 Investment income

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

5 Net trading income

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Financial instruments mandatory measured at fair value through profit or loss		
Assets and liabilities held for trading	3	8
Other net trading income	-	2
	3	**10**

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

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

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Financial instruments		
Financial instruments designated at fair value through profit ot loss		
Mortgage loans and securitised mortgage loans (designated at fair value through profit or loss)	-	6
Financial instruments mandatory at fair value through profit or loss other than those included in net trading income		
Derivatives held for hedging		
Fair value hedges of interest rate risk	(3)	1
Cash flow hedges of interest rate risk	1	(4)
Interest rate instruments (derivatives)	(2)	(8)
Loans	(1)	-
Mortgage loans and securitised mortgages loans	(1)	-
Debt investments	2	-
Debt securities	1	-
Other		
Foreign exchange	1	(1)
Non-financial instruments		
Investment property		
Investment property held for sale - revaluation result	-	69
Investment property held for sale - operating income	2	-
Investment property held for sale - operating expense	-	(5)
	-	**58**

Due to the implementation of IFRS 9 regulation the classification of the financial instruments has changed from designated at fair value to mandatory at fair value.

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

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

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

7 Other operating income

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Other operating income	2	-
	2	**-**

8 Personnel expenses and share-based payments

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Personnel expenses and share-based payments	53	55
	53	**55**

The number of Full Time Equivalents (FTE) decreased from 691 at 30 June 2017 to 686 at 30 June 2018.

9 Other operating expenses

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Other operating expenses		
Building-, housing & services expenses	2	2
Car-, travel- and accommodation expenses	2	2
Project expenses & consultants	16	9
Control and supervision	2	2
Corporate brand, brochures, (re-)presentation expenses	3	3
General personnel expenses	2	2
ICT expenses	10	9
Office costs	2	3
Other general expenses	10	8
IPO costs	4	-
Fees of external independent auditor	2	1
	55	**41**

10 Regulatory charges

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

11 Credit loss expense / (recovery)

Financial assets

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Financial assets at amortised cost		
Loans	25	35
Mortgages loans	(4)	-
Debt investments	-	(2)
Total for on balance sheet financial assets (in scope of ECL requirements)	**21**	**33**
Off-balance sheet financial instruments and credit lines		
Mortgages loans	1	-
Irrevocable loan commitments	(1)	-
Total for off balance sheet financial instruments (in scope of ECL requirements)	**-**	**-**
	21	**33**

Non-financial assets

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

12 Tax

in EUR millions	For the period ended 30-Jun-18	For the period ended 30-Jun-17
Tax reconciliation:		
Profit before tax	**113**	**141**
Tax calculated at the nominal Dutch corporate tax rate of 25.0% (2017: 25.0%)	28	35
Impact of income not subject to tax	(8)	(3)
Impact of expenses not deductible	1	-
Result final tax assessment previous years	1	1
Effect of different tax rates other countries	1	1
	23	**34**

The impact of income not subject to tax mainly relates to income from equity investments and investments in associates, in which NIBC Holding has a stake of more than 5%, being income that is tax exempt under Dutch tax law. NIBC Bank N.V. is part of the fiscal entity with NIBC Holding N.V.. This results in an effective tax rate of 20.8% for the period ended 30 June 2018 (for the period ended 30 June 2017: 24.3%). The effective tax rate for the full year 2018 is expected to be in line with currently reported.

NIBC Holding N.V. is the parent company of NIBC Bank N.V., NIBC Investments N.V. and NIBC Investment Management N.V., which are all part of the same fiscal entity.

13 Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit for the year attributable to the equity holders of NIBC Holding N.V. by the weighted average number of common shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to equity shareholders of NIBC Holding N.V. by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on the conversion of all the dilutive potential common shares into common shares.

The following table shows the composition of basic and diluted earnings per share at 30 June 2018 and 2017:

	For the period ended 30-Jun-18			For the period ended 30-Jun-17		
	Profit for the year attributable to equity holders	Weighted average number of common shares	Earnings per share[1]	Profit for the year attributable to equity holders	Weighted average number of common shares	Earnings per share[1]
	in EUR millions	in millions	in EUR	in EUR millions	in millions	in EUR
Basic earnings per share	84	146	0.57	107	146	0.73
Diluted earnings per share	84	146	0.57	107	146	0.73

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

There have been no significant transactions involving common shares or potential common shares between the reporting date and the date of the completion of these financial statements which would require the restatement of EPS.

14 Loans (amortised cost)

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Loans	7,234	7,192
Lease receivables	342	281
	7,576	**7,473**
Legal maturity analysis of loans:		
Three months or less	249	218
Longer than three months but not longer than one year	725	817
Longer than one year but not longer than five years	4,372	4,332
Longer than five years	1,888	1,824
	7,234	**7,192**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	*IFRS 9* Total 2018	*IAS 39* Total 2017
Movement schedule of carrying value loans:						
Balance at 1 January					**7,192**	**7,732**
Effect of adoption of IFRS 9 per 1 January 2018					72	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**6,034**	**998**	**232**	**-**	**7,264**	
Reclassification to lease receivables	-	-	-	-	-	(89)
New financial assets originated or purchased	1,124	19	7	2	1,152	1,878
Financial assets that have been derecognised	(1,115)	(94)	(9)	-	(1,218)	(2,018)
Net remeasurement of loss allowance	(1)	(3)	(15)	(1)	(20)	-
Foreign exchange and other movements	40	15	(1)	-	55	(311)
Transfers:						
Transfer from stage 1 to stage 2	(77)	76	-	-	(1)	
Transfer from stage 2 to stage 3	-	(112)	112	-	-	
Transfer from stage 2 to stage 1	143	(142)	-	-	1	
Balance at 30 June / 31 December	**6,149**	**757**	**327**	**1**	**7,234**	**7,192**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	*IFRS 9* Total 2018	*IAS 39* Total 2017
Movement schedule of credit loss allowances on loans:						
Balance at 1 January					**146**	**179**
Effect of adoption IFRS 9 - reclassification					(4)	
Effect of adoption IFRS 9 - expected loss impairment model					8	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**9**	**16**	**126**	**-**	**150**	
Movements with no impact on credit loss allowances of financial assets in the income statement						
Transfers:						
Transfer from stage 2 to stage 3	-	(5)	5	-	-	
Write-offs	-	-	-	-	-	(74)
Unwind of discount due to passage of time stage 3 within interest income	-	-	(5)	-	(5)	(7)
Foreign exchange and other movements	-	-	7	-	7	(9)
Movements with no impact on credit loss allowances of financial assets in the income statement	**-**	**(5)**	**7**	**-**	**2**	**(90)**
Movements with impact on credit loss allowances of financial assets in the income statement						
New financial assets originated or purchased	2	-	-	-	2	61
Financial assets that have been derecognised	(2)	-	-	-	(2)	(11)
Net remeasurement of loss allowance	1	3	15	1	20	-
Unwind of discount due to passage of time stage 1 and stage 2	-	-	5	-	5	7
Transfers:						
Transfer from stage 1 to stage 2	-	1	-	-	1	
Transfer from stage 2 to stage 1	1	(2)	-	-	(1)	
Movements with impact on credit loss allowances of financial assets in the income statement	**2**	**2**	**20**	**1**	**25**	**57**
Balance at 30 June / 31 December	**11**	**13**	**153**	**1**	**177**	**146**

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Legal maturity analysis of gross investment in lease receivables:		
One year or less	51	13
Longer than one year but no longer than five years	270	267
Longer than five years	48	21
	369	**301**
Unearned future finance income on finance leases	27	20
Net investment in finance leases	**342**	**281**
Legal maturity analysis of net investment in lease receivables:		
One year or less	50	13
Longer than one year but no longer than five years	251	250
Longer than five years	41	18
	342	**281**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	*IFRS 9* Total 2018	*IAS 39* Total 2017
Movement schedule of carrying value on lease receivables:						
Balance at 1 January					**281**	**112**
Effect of adoption of IFRS 9 per 1 January 2018					-	
Restated balance at 1 January 2018 after the adoption of IFRS 9	**281**	**-**	**-**	**-**	**281**	
Reclassification from loans	-	-	-	-	-	89
New financial assets originated or purchased	71	-	-	-	71	80
Financial assets that have been derecognised	(11)	-	-	-	(11)	-
Transfers:						
Transfer from stage 1 to stage 2	(3)	3	-	-	-	
Balance at 30 June / 31 December	**338**	**3**	**-**	**-**	**342**	**281**

in EUR millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Purchased credit-impaired	*IFRS 9* Total 2018	*IAS 39* Total 2017
Movement schedule of credit loss allowances on lease receivables:						
Balance at 1 January					1	-
Effect of adoption of IFRS 9 per 1 January 2018					-	
Restated balance at 1 January 2018 after the adoption of IFRS 9	1	-	-	-	1	
Movements with no impact on credit loss allowances of financial assets in the income statement	-	-	-	-	-	-
Movements with impact on credit loss allowances of financial assets in the income statement	-	-	-	-	-	-
Balance at 30 June / 31 December	1	-	-	-	1	-

15 Mortgage loans (amortised cost)

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

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

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

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

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

16 Securitised mortgage loans (amortised cost)

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

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

17 Debt investments (amortised cost)

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

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

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

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

18 Debt investments (available-for-sale)

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

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

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

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

19 Debt investments (fair value through other comprehensive income)

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

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

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

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

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

20 Loans (fair value through profit or loss)

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

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

21 Mortgage loans (fair value through profit or loss)

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

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

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

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Securitised mortgage loans	-	338
	-	**338**

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

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

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

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

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

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

24 Investment property

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Investment property	-	-
	-	**-**

in EUR millions	IFRS 9 2018	IAS 39 2017
Movement schedule of investment property:		
Balance at 1 January	**-**	**271**
Additions resulting from acquisition	-	-
Disposals	-	(289)
Changes in fair value	-	115
Transfer to assets of disposal classified as held for sale	-	(97)
Balance at 30 June / 31 December	**-**	**-**

25 Current and Deferred Tax

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Current Tax	40	1
	40	**1**
Deferred Tax	91	38
	91	**38**

The movement in the current and deferred tax position is primarily related to the adoption of IFRS 9 as detailed in the accounting policies paragraph.

26 Disposal group classified as held for sale

At 31 December 2017 the assets and liabilities related to its Vijlma business have been presented as held for sale following the approval of NIBC's management on 21 December 2017 to sell the Vijlma structure. A sale of the remaining operations and assets of the Vijlma structure had not been completed at the balance sheet date, but NIBC expects a sale to occur in 2018.

Assets of disposal group classified as held for sale

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Due from other banks (AC)	17	62
Investment property	5	97
Other assets	2	2
	24	**161**

Liabilities of disposal group classified as held for sale

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Borrowings (FV)	-	6
Other liabilities	16	90
Current tax liabilities	4	8
	20	**104**

There are no items recognised in OCI and or equity relating to assets of disposal group classified as held for sale.

Prior to the sale of the Vijlma structure, steps have been taken to reduce the exposure of the balance sheet of the Vijlma company. All properties have been sold and properties for a value of EUR 92 million have been handed over to the new owner in the first half of 2018. At the same time the wind-down of the structure has been initiated.

27 Own debt securities in issue (amortised cost)

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

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

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

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

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

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

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

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

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Bonds and notes issued	39	38
	39	**38**
Legal maturity analysis of own debt securities in issue:		
Three months or less	-	-
Longer than three months but not longer than one year	-	-
Longer than one year but not longer than five years	39	38
Longer than five years	-	-
	39	**38**

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

The fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC Holding hedges its interest rate risk from these liabilities, the movement due to interest rate changes is compensated by results on financial derivatives recognised in Net income from assets and liabilities at fair value through profit or loss.

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

The cumulative decrease in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to nil and the change for the current year amounts is nil (2017: loss of 1 million). See note 36.7 for further information with respect to IFRS 9 Own credit risk.

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

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

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

The disposals of debt securities in issue designated at fair value through profit or loss for 2018 include repurchases of debt securities before the legal maturity date to an amount of EUR 259 million (31 December 2017: EUR 29 million, of which EUR 16 million related to redemptions at the scheduled maturity). The changes in fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC hedges its interest rate risk from these liabilities, the movement due to interest rate changes is compensated with results on financial derivatives recognised in Net income from assets and liabilities at fair value through profit or loss.

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

The cumulative increase in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to EUR 4 million and the change for the current year is a gain of EUR 6 million recognised in other comprehensive income (31 December 2017: loss of EUR 30 million, recognised in other comprehensive income). See note 36.7 for further information with respect to IFRS 9 Own credit risk.

31 Provisions

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

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

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

32 Subordinated liabilities (amortised cost)

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

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

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

33 Subordinated liabilities (fair value through profit or loss)

in EUR millions	IFRS 9 30-Jun-18	IAS 39 31-Dec-17
Non-qualifying as grandfathered additional Tier-1 capital	62	60
Subordinated loans other	112	107
	174	**167**
Legal maturity analysis of subordinated liabilities:		
One year or less	-	-
Longer than one year but not longer than five years	-	-
Longer than five years but not longer than ten years	-	1
Longer than five years	174	166
	174	**167**

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

The fair value reflects movements due to both interest rate changes and credit spread changes. As NIBC Holding hedges its interest rate risk from these liabilities, the movement due to interest rate changes is compensated by results on financial derivatives recognised in net income from assets and liabilities at fair value through profit or loss.

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

The cumulative decrease in fair value included in the balance amount (designated at fair value through profit or loss) attributable to changes in interest rates and credit risk amounts to EUR 84 million and the change for the current year amounts to a loss of EUR 5 million recognised in other comprehensive income (31 December 2017: loss of EUR 38 million). See note 36.7 for further information with respect to IFRS 9 Own credit risk.

All of the above loans are subordinated to the other liabilities of NIBC Holding. The non-qualifying as grandfathered additional Tier-1 capital consists of perpetual securities and may be redeemed by NIBC Holding only with the prior approval of the DNB. Interest expense of EUR 5 million was recognised on subordinated liabilities during the first half of 2018 (H1 2017: EUR 9 million).

34 Share capital

As at 30 June 2018, all shares in the capital of NIBC Holding are listed on Euronext Amsterdam.

Share Capital

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Paid-up capital	3	148
	3	**148**

	IFRS 9 30-Jun-18	*IAS 39* 31-Dec-17
The number of authorised shares:		
Number of ordinary shares (with par value of EUR 0.02)	350,000,000	-
Number of preference shares (with par value of EUR 0.02)	350,000,000	-
Number of authorised shares(with par value of EUR 1.00)	-	500,000,000
Number of shares issued and fully paid	147,513,369	147,513,369
Par value per A-share	0.02	1.00

In May 2018 the Articles of Association were amended, the nominal value of each share of NIBC Holding was reduced from EUR 1 to EUR 0.02. Consequently, the paid-up capital was reduced with EUR 145 million, offset by a simultaneous increase of the share premium of the same amount.

	IFRS 9 2018	*IAS 39* 2017
Reconciliation of number of shares outstanding		
Balance at 1 January	**145,993,810**	**145,993,810**
Shares issued	315,000	-
Balance at 30 June / 31 December	**146,308,810**	**145,993,810**

Out of the total number of shares issued by NIBC Holding, 1,387,321 (2017: 2,088,949) shares are held by Stichting Administratiekantoor (STAK) NIBC Holding in view of the share-based incentive scheme. The STAK is consolidated by NIBC Holding. The total number of treasury shares held by NIBC Holding is 1,204,559 (2017: 1,519,559).

35 Capital securities

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

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

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

36 Fair value of financial instruments

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

36.1 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).

36.2 Valuation governance

NIBC's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. All new product initiatives (including their valuation methodologies) are subject to approvals by various functions of NIBC including the Risk and Finance functions. Once submitted, fair value estimates are also reviewed and challenged by the Risk and Finance functions.

36.3 Financial instruments by fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 within the fair value hierarchy based on the degree to which the fair value is observable:

Fair value of financial instruments at 30 June 2018

in EUR millions	Level 1	Level 2	Level 3	30-Jun-18
Financial assets at fair value through other comprehensive income				
Debt investments	732	11	-	743
	732	**11**	**-**	**743**
Financial assets at fair value through profit or loss (including trading)				
Loans	-	122	-	122
Equity investments (including investments in associates)	4	1	325	330
Debt investments	-	82	3	85
Derivative financial assets	-	828	-	828
	4	**1,033**	**328**	**1,365**
	736	**1,044**	**328**	**2,108**

in EUR millions	Level 1	Level 2	Level 3	30-Jun-18
Financial liabilities at fair value through profit or loss (including trading)				
Own debt securities in issue	-	39	-	39
Debt securities in issue structured	-	386	-	386
Derivative financial liabilities	-	761	-	761
Subordinated liabilities	-	174	-	174
Other financial liabilities	-	1	-	1
	-	**1,361**	**-**	**1,361**

Fair value of financial instruments at 31 December 2017

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

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

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

Financial assets at fair value through other comprehensive income

Debt investments - level 1

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

Debt investments - level 2

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

Financial assets at fair value through profit or loss

Equity investments (including investments in associates) - level 1

The level 1 portfolio consists of unadjusted, quoted prices for assets in an active market. The assets have been valued at the market's closing price of the 30rd of June.

Loans - level 2

In an active market environment, these assets are marked-to-market by applying market bid quotes observed on the secondary market. The quotes received from other banks or brokers and applied in the marked-to-market process are calibrated to actual market trades whenever possible.

In certain instances, where the market is inactive, a discounted cash flow model is used based on various assumptions including market interest rates, market credit spread levels and assumptions regarding market liquidity, where relevant. Additional pricing reference points have been obtained by collecting spreads using primary transactions that are comparable with the relevant loans.

Equity investments (including investments in associates) - level 2

For the determination of fair value of level 2 equities at 30 June 2018, NIBC Holding applied broker quotes, interest rates and credit spreads derived from market-observable data. NIBC has determined the fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Debt investments - level 2
For the determination of fair value at 30 June 2018, NIBC Holding applied market-observable prices (including broker quotes), interest rates and credit spreads derived from market-observable data. NIBC Holding has determined fair value in a consistent manner over time, ensuring comparability and continuity of valuations.

Derivatives financial assets and liabilities (held for trading and used for hedging) - level 2
Derivative products valued using a valuation technique with market-observable inputs are mainly interest rate swaps, currency swaps, credit default swaps and foreign exchange contracts. The most frequently applied valuation techniques include swap models using present value calculations. The models incorporate various inputs including foreign exchange rates, credit spread levels and interest rate curves. Credit derivative valuation models also require input as to the estimated probability of default and recovery value.

Equity investments (including investments in associates) - level 3
The fair value of investments in equity funds is determined based on the net asset value reported by the managers of these funds. These net asset values are analysed for reasonableness, so as to ascertain that the reported net asset value has been appropriately derived using proper fair value principles as part of a robust process. To approximate the fair value at the reporting date, the net asset value is adjusted, where appropriate, for factors such as, subsequent capital contributions and fund distributions, movements in exchange rate and subsequent changes in the fair value of the underlying investee companies, where these are known to NIBC Holding.

The fair value of equity investments is established by applying capitalisation multiples to maintainable earnings. Maintainable earnings are estimated based on the normalised last twelve months' Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA). Capitalisation multiples are derived from the enterprise value and the normalised last twelve months EBITDA at the acquisition date. On each reporting date, the capitalisation multiple of each equity investment is compared against those derived from the publicly available enterprise value and earnings information of traded peers, where these can be identified. Peer capitalisation multiples are normalised for factors such as differences in regional and economic environment, time lags in earnings information and one-off gains and losses.

The resulting enterprise value is adjusted for net debt, non-controlling interests, illiquidity and management incentive plans to arrive at the fair value of the equity.

Debt investments - level 3
For the level 3 debt investments, NIBC Holding uses valuation models that apply discounted cash flow analysis that incorporates both observable and unobservable data. Observable inputs include interest rates and collateral values; unobservable inputs include assumptions regarding credit spreads and market liquidity discounts.

Financial liabilities at fair value through profit or loss (including trading)

Own liabilities designated at fair value through profit or loss - level 2
This portfolio was designated at fair value through profit or loss and is reported on the face of the balance sheet under the following headings:
- Own debt securities in issue (financial liabilities at fair value through profit or loss);
- Debt securities in issue structured (financial liabilities at fair value through profit or loss);
- Subordinated liabilities (financial liabilities at fair value through profit or loss).

Debt securities in issue structured consist of notes issued with embedded derivatives that are tailored to specific investors' needs. The return on these notes is dependent upon the level of certain underlying equity, interest rate, currency, credit, commodity or inflation-linked indices. The embedded derivative within each note issued is fully hedged on a back-to-back basis, such that effectively synthetic floating rate funding is created. Because of this economic hedge, the income statement is not sensitive to fluctuations in the price of these indices.

In the case of debt securities in issue structured and subordinated liabilities, the fair value of the notes issued and the back-to-back hedging swaps is determined using valuation models developed by a third party employing Monte Carlo simulation, lattice valuations or closed formulas, depending on the type of embedded derivative. These models use market-observable inputs (e.g. interest rates, equity prices) for valuation of these structures.

For each class of own financial liabilities at fair value through profit or loss, the expected cash flows are discounted to present value using interbank zero-coupon rates. The resulting fair value is adjusted for movements in the credit spread applicable to NIBC Holding issued funding.

36.5 Valuation adjustments and other inputs and considerations

Credit and debit valuation adjustments

NIBC Holding calculates Credit value adjustment/Debet value adjustment on a counterparty basis over the entire life of the exposure.

Bid-offer

NIBC Holding's pricing models initially calculate mid-market prices, which are subsequently adjusted to reflect bid-offer spreads (the difference between prices quoted for sales and purchases). NIBC Markets pricing models use bid prices.

Day 1 profit

A Day 1 profit, representing the difference between the transaction price and the fair value output of internal models, is recognised when the inputs to the valuation models are observable market data.

36.6 Impact of valuation adjustments

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

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

The following table shows the movement in the aggregate profit not recognised when financial instruments were initially recognised (Day 1 profit), because of the use of valuation techniques for which not all the inputs were market observable data.

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

36.7 Own credit adjustments on financial liabilities designated at fair value

The own credit presentation requirements of IFRS 9 were early applied as of 1 January 2016. From this date onward, changes in the fair value of financial liabilities designated at fair value through profit and loss related to own credit are recognised in Other comprehensive income and presented in the Statement of comprehensive income, and no longer in Net trading income within the Income statement. Comparative period information was not restated in the first half of 2016. The following table summarises the effects of own credit adjustments related to financial liabilities designated at fair value. Life-to-date amounts reflect the cumulative unrealised change since initial recognition.

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

36.8 Transfers between level 1 and level 2

In the first half of 2018 debt investments at fair value through profit of loss for an amount of EUR 2 million has been transferred from level 1 to level 2. The level 2 classification in the fair value hierarchy better reflected the underlying valuation methodology.

36.9 Movements in level 3 financial instruments measured at fair value

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

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

in EUR millions	At 1 January 2017	Amounts recognised in the income statement	Amounts recognised recorded in OCI	Purchases/ Additions	Sales	Settle-ments/ Disposals	Transfers into level 3	Transfers from level 3	At 31 December 2017
Financial assets available-for-sale									
Equity investments	41	(1)	(1)	-	-	(3)	-	-	36
Debt investments	1	-	-	-	-	-	-	-	1
Financial assets at fair value through profit or loss (including trading)									
Mortgage loans	4,124	(8)	-	1,035	-	(570)	-	-	4,581
Securitised mortgage loans	1,550	(83)	-	-	-	(1,129)	-	-	338
Equity investments (including investments in associates)	202	60	-	35	-	(12)	-	-	285
Debt investments	1	-	-	-	(1)	-	-	-	-
	5,919	**(32)**	**(1)**	**1,070**	**(1)**	**(1,714)**	**-**	**-**	**5,241**

Total gains or losses on level 3 financial instruments in the previous table are presented in the income statement and other comprehensive income as follows:

	For the period ended							
	30-Jun-18					31 December 2017		
in EUR millions	Net trading income	Net income from other financial instruments at fair value through profit or loss	Invest-ment income	Re-valuation reserve	Total	Net trading income	Invest-ment income	Re-valuation reserve
Financial assets at fair value through other comprehensive income								
Equity investments	-	-	-	-	-	-	(1)	(1)
Financial assets at fair value through profit or loss (including trading)								
Mortgage loans	-	-	-	-	-	(8)	-	-
Securitised mortgage loans	-	-	-	-	-	(83)	-	-
Equity investments (including investments in associates)	-	-	21	-	21	-	60	-
	-	**-**	**21**	**-**	**21**	**(91)**	**59**	**(1)**

The amount in total gains or losses presented in the income statement for the period relating to the assets and liabilities held in level 3 until the end of the reporting period is given in the following table:

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

Recognition of unrealised gains and losses in level 3

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

in EUR millions	30 June 2018 Net trading income	30 June 2018 Net income from other financial instruments at fair value through profit or loss	30 June 2018 Investment income	30 June 2018 Total	31 December 2017 Net trading income	31 December 2017 Investment income	31 December 2017 Total
Financial assets at fair value through other comprehensive income							
Equity investments	-	-	-	-	-	(2)	(2)
Financial assets at fair value through profit or loss (including trading)							
Mortgage loans	-	-	-	-	(8)	-	(8)
Securitised mortgage loans	-	-	-	-	(83)	-	(83)
Equity investments (including investments in associates)	-	-	13	13	-	75	75
	-	**-**	**13**	**13**	**(91)**	**73**	**(18)**

36.10 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 36.11 Sensitivity of fair value measurements to changes in observable market data.

	At 30 June 2018					
	in EUR millions					
	Fair value of level 3 assets	Fair value of level 3 liabilities	Valuation technique	Significant unobservable inputs	Lower range	Upper range
Financial assets at fair value through profit or loss (including trading)						
Equity investments (including investments in associates)[1]	325	-	Discounted cash flow	Financial statements	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions	-	n.a.	n.a.
Debt investments[1]	3	-	Bid price	Price %	0%	100%
	328	**-**				

1 Given the wide range of diverse investments and the correspondingly large differences in prices, NIBC does not disclose the ranges as it believes it would not provide meaningful information without a full list of the underlying investments, which would be impractical.

	At 31 December 2017					
	in EUR millions					
	Fair value of level 3 assets	Fair value of level 3 liabilities	Valuation technique	Significant unobservable inputs	Lower range	Upper range
Financial assets available-for-sale						
Equity investments[1]	36	-	Discounted cash flow	Financial statements	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions	-	n.a.	n.a.
Debt investments[1]	1	-	Expected cash flows	Expected cash flow from collateral	0%	100%
Financial assets at fair value through profit or loss (including trading)						
Mortgage loans	4,581	-	Discounted projected cash flows	Discount Spread (bps)	111	146
			Discounted projected cash flows	CPR	8%	10%
Securitised mortgage loans	338	-	Discounted projected cash flows	Discount Spread (bps)	111	146
			Discounted projected cash flows	CPR	8%	10%
Equity investments (including investments in associates)[1]	285	-	Discounted cash flow	Financial statements	n.a.	n.a.
			Multiplier method	Observable Market Factors	n.a.	n.a.
			Comparable transactions	-	n.a.	n.a.
Debt investments[1]	-	-	Bid price	Price %	0%	100%
	5,241	**-**				

1 Given the wide range of diverse investments and the correspondingly large differences in prices, NIBC does not disclose the ranges as it believes it would not provide meaningful information without a full list of the underlying investments, which would be impractical.

Non-Listed equity investments

Level 3 equity securities mainly include corporate investments, fund investments and other equity securities which are not traded in active markets. In the absence of an active market, fair values are estimated on the analysis of fund manager reports, company's financial position and other factors.

Discount spreads
Discount spread is the spread above a market interest rate, based on Euribor, which is used to discount the projected cash flows. The lower range is the outcome of a bottom-up valuation approach, the upper range is the result of a top-down valuation approach.

Expected sales prices underlying assets
The fair value of the loans available for sale is highly dependend on the projected sales prices of the underlying assets. The lower level assumes actual salesprices of 75% of the projected sales prices the higher level assumes actual salesprices of 125%.

Price
For securities where market prices are not available fair value is measured by comparison with observable pricing data from similar instruments. Prices of 0% are distressed to the point that no recovery is expected, while prices significantly in excess of 100% or par are expected to pay good yield.

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

36.11 Sensitivity of fair value measurements to changes in observable market data
The following table shows the impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions by class of instrument:

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

In order to determine the reasonably possible alternative assumptions, NIBC Holding adjusted key unobservable valuation technique inputs as follows:
- For equity investments, the material unobservable input parameters, such as capitalisation multiple, that are applied to the maintainable earnings to determine fair value are adjusted by 5%;
- For the debt investments, NIBC Holding adjusted the weighted average calculated model price by 100 basis points as a reasonably possible alternative outcome. The primary unobservable input in the calculated model price is the applicable credit spread.

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

36.12 Fair value information on financial instruments not measured at fair value

The following table presents the carrying values and estimated fair values of financial assets and liabilities, excluding financial instruments which are carried at fair value on a recurring basis.

	Fair value information at 30 June 2018				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Loans	-	7,576	-	7,576	7,571
Mortgage loans	-	-	9,381	9,381	10,053
Financial liabilities at amortised cost					
Own debt securities in issue	-	5,316	-	5,316	5,344
Subordinated liabilities	-	114	-	114	145

	Fair value information at 31 December 2017				
in EUR millions	Level 1	Level 2	Level 3	Carrying value	Fair value
Financial assets at amortised cost					
Loans	-	7,473	-	7,473	7,483
Mortgage loans	-	-	4,412	4,412	4,725
Debt investments	-	57	2	59	55
Financial liabilities at amortised cost					
Own debt securities in issue	-	4,392	-	4,392	4,466
Debt securities in issue related to securitised mortgages and lease receivables	-	-	267	267	267
Subordinated liabilities	-	115	-	115	135

Financial instruments for which carrying value approximates fair value

Certain financial instruments that are not carried at fair value are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These financial instruments include cash and balances with central banks, due from other banks, due to other banks, deposits from customers and other financial liabilities. These financial instruments are not included in the previous table.

36.13 Non-financial assets valued at fair value

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

37 Commitments and contingent assets and liabilities

At any time, NIBC Holding has outstanding commitments to extend credit. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one to three months. Commitments extended to customers related to mortgages at fixed-interest rates or fixed spreads are hedged with interest rate swaps recorded at fair value. At initial recognition these commitments are classified at fair value through profit or loss.

NIBC Holding provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. Expirations are not concentrated in any period.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. In the following table, it is assumed that amounts are fully advanced.

The amounts for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Contract amount:		
Committed facilities with respect to corporate loan financing	1,582	1,533
Committed facilities with respect to mortgage loans	239	158
Capital commitments with respect to equity investments	67	12
Guarantees granted	49	65
Irrevocable letters of credit	35	35
	1,972	**1,803**

These commitments and contingent liabilities have off-balance sheet credit risk because only commitment/origination fees and accruals for probable losses are recognised in the balance sheet until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

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

Legal proceedings

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

38 Related party transactions

In the normal course of business, NIBC Holding 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 Holding include, amongst others, its subsidiaries, associates and key management personnel. The transactions were made at an arm's length price. Transactions between NIBC Holding and its subsidiaries meet the definition of related party transactions. However, as all of these transactions are eliminated on consolidation, they are not disclosed as related party transactions.

Transactions involving NIBC Holdings' shareholders

in EUR millions	*IFRS 9* 30-Jun-18	*IAS 39* 31-Dec-17
Transactions involving NIBC Holdings' shareholders		
Assets	31	31
Liabilities	-	-
Off-balance sheet commitments	61	6
Income received	1	(3)
Expenses paid	-	-

Transactions with other entities controlled by NIBC Holdings' shareholders

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

Transactions related to associates

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

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

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

39 Important events and transactions

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

40 Subsequent events

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

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

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

The Hague, 28 August 2018

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

OTHER INFORMATION

REVIEW REPORT

Building a better working world

Review report

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

Introduction

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

The managing board is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, “Interim Financial Reporting” as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34, “Interim Financial Reporting”, as adopted by the European Union.

Amsterdam, 28 August 2018

Ernst & Young Accountants LLP

Signed by M.A. van Loo

ALTERNATIVE PERFORMANCE MEASURES

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

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

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

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

Dividend pay-out ratio

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

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

Dividend pay-out ratio	H1 2018	2017	2016	2015
Dividend pay-out H1 2018	37			
Profit after tax H1 2018	84			
Dividend pay-out ratio H1 2018 (%)	**44**			
Dividend pay-out 2017 (page 34 annual report NIBC Holding N.V.)		96		
Profit after tax 2017 (page 20 annual report NIBC Holding N.V.)		213		
Dividend pay-out ratio 2017 (%)		**45**		
Dividend pay-out 2016 (page 37 annual report NIBC Holding N.V.)			25	
Profit after tax 2016 (page 27 annual report NIBC Holding N.V.)			104	
Dividend pay-out ratio 2016 (%)			**25**	
Dividend pay-out 2015 (N.A.)				n.a.
Profit after tax 2015 (page 25 annual report NIBC Holding N.V.)				70
Dividend pay-out ratio 2015 (%)				**n.a.**

Cost/income ratio

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

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

Cost/Income ratio	H1 2018	2017	2016	2015
Operating expenses H1 2018	120			
Operating income H1 2018	254			
Cost/income ratio H1 2018 (%)	**47**			
Operating expenses 2017 (page 108 annual report NIBC Holding N.V.)		233		
Operating income 2017 (page 108 annual report NIBC Holding N.V.)		559		
Cost/income ratio 2017 (%)		**42**		
Operating expenses 2016 (page 110 annual report NIBC Holding N.V.)			206	
Operating expenses 2016 (page 110 annual report NIBC Holding N.V.)			413	
Cost/income ratio 2016 (%)[1]			**50**	
Operating expenses 2015 (page 25 annual report NIBC Holding N.V.)				174
Operating income 2015 (page 25 annual report NIBC Holding N.V.)				318
Cost/income ratio 2015 (%)[2]				**55**

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

Return on equity

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

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

Return on equity	H1 2018	2017	2016	2015
Annualised net profit attributable to parent shareholder	168			
Post proposed dividend total shareholders equity at the start of financial year	1,594			
Return on equity H1 2018 (%)	**10.5**			
Annualised net profit attributable to parent shareholder (page 108 annual report NIBC Holding N.V.)		213		
Post proposed dividend total shareholders equity at the start of financial year (page 111 annual report NIBC Holding N.V.)		1,792		
Return on equity 2017 (%)[1]		**11.9**		
Annualised net profit attributable to parent shareholder (page 108 annual report NIBC Bank N.V.)			104	
Post proposed dividend total shareholders equity at the start of financial year (page 111 annual report NIBC Bank N.V.)			1,735	
Return on equity 2016 (%)			**6.0**	
Annualised net profit attributable to parent shareholder (page 84 annual report NIBC Bank N.V.)				70
Post proposed dividend total shareholders equity at the start of financial year (page 87 annual report NIBC Bank N.V.)				1,684
Return on equity 2015 (%)				**4.2**

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

Cost of risk

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

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

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

Cost of risk	H1 2018	2017	2016	2015
Annualised credit losses on AC loans	42			
Annualised credit losses FVTPL loans	6			
Total annualised credit losses	**47**			
Risk-weighted assets H1 2018	8,656			
Risk-weighted assets 2017	8,584			
Average risk-weighted assets H1 2018	**8,620**			
Cost of risk H1 2018 (%)	**0.55**			
Annualised impairments		56		
Annualised credit losses FVTPL Mortgages		2		
Total annualised impairments and credit losses on fair value residential mortgages 2017		**57**		
Risk-weighted assets 2017 (page 9 annual report NIBC Holding N.V.)		8,584		
Risk-weighted assets 2016 (page 9 annual report NIBC Holding N.V.)		9,930		
Average risk-weighted assets 2017		**9,257**		
Cost of risk 2017 (%)		**0.62**		
Annualised impairments			69	
Annualised credit losses FVTPL Mortgages and AQR			4	
Total annualised impairments and credit losses on fair value residential mortgages 2016			**73**	
Risk-weighted assets 2016 (page 8 annual report NIBC Holding N.V.)			9,930	
Risk-weighted assets 2015 (page 8 annual report NIBC Holding N.V.)			9,848	
Average risk-weighted assets 2016			**9,889**	
Cost of risk 2016 (%)			**0.74**	
Annualised impairments				63
Annualised credit losses FVTPL Mortgages and AQR				8
Total annualised impairments and credit losses on fair value residential mortgages 2015				**70**
Risk-weighted assets 2015 (page 80 annual report NIBC Holding N.V.)				9,848
Risk-weighted assets 2014 (page 80 annual report NIBC Holding N.V.)				9,449
Average risk-weighted assets 2015				**9,649**
Cost of risk 2015 (%)				**0.73**

Impairment ratio

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

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

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

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

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

Impairment ratio	H1 2018	2017	2016	2015
Annualised credit losses on amortised cost loans and mortgage loans	42			
Average financial assets at amortised cost: loans[1]	7,560			
Average financial assets at amortised cost: mortgage loans[1]	9,190			
Average financial assets regarding loans and mortgage loans (total)	**16,750**			
Impairment ratio H1 2018 (%)	**0.25**			
Annualised impairments on amortised cost loans and mortgage loans		58		
Average financial assets at amortised cost: loans (page 110 annual report NIBC Holding N.V.)		7,659		
Average financial assets at amortised cost: mortgage loans (page 110 annual report NIBC Holding N.V.)		3,879		
Average financial assets regarding loans and mortgage loans (total)		**11,538**		
Impairment ratio 2017 (%)		**0.50**		
Annualised impairments on amortised cost loans and mortgage loans			79	
Average financial assets at amortised cost: loans (page 112 annual report NIBC Holding N.V.)			7,569	
Average financial assets at amortised cost: mortgage loans (page 112 annual report NIBC Holding N.V.)			2,868	
Average financial assets regarding loans and mortgage loans (total)			**10,437**	
Impairment ratio 2016 (%)			**0.76**	
Annualised impairments on amortised cost loans and mortgage loans				47
Average financial assets at amortised cost: loans (page 88 annual report NIBC Holding N.V.)				7,144
Average financial assets at amortised cost: mortgage loans (page 88 annual report NIBC Holding N.V.)				1,734
Average financial assets regarding loans and mortgage loans (total)				**8,878**
Impairment ratio 2015 (%)				**0.53**

1 Loans and residential mortgagers are represented post IFRS 9 implementation

NPL ratio

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

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

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

NPL ratio

NPL ratio[1]	H1 2018	2017	2016	2015
Non performing exposure corporate loans H1 2018	590			
Non performing exposure mortgage loans H1 2018	73			
Non performing exposure H1 2018	**663**			
Total corporate loans drawn and undrawn H1 2018	9,289			
Total retail client assets H1 2018	9,199			
Total exposure H1 2018	**18,488**			
NPL ratio H1 2018 (%)	**3.6**			
Non performing exposure corporate loans 2017 (page 96 annual report NIBC Bank N.V.)		432		
Non performing exposure mortgage loans 2017 (page 96 annual report NIBC Bank N.V.)		89		
Non performing exposure 2017		**521**		
Total corporate loans drawn and undrawn 2017 (page 8 annual report NIBC Bank N.V.)		9,200		
Total retail client assets 2017 (page 8 annual report NIBC Bank N.V.)		9,146		
Total exposure 2017		**18,345**		
NPL ratio 2017 (%)		**2.8**		
Non performing exposure corporate loan and mortgage loans 2016 (page 93 annual report NIBC Bank N.V.)			550	
Total corporate loans drawn and undrawn 2016 (page 8 annual report NIBC Bank N.V.)			9,473	
Total retail client assets 2016 (page 8 annual report NIBC Bank N.V.)			8,831	
Total exposure 2016			**18,305**	
NPL ratio 2016 (%)			**3.0**	
Non performing exposure corporate loan and mortgage loans 2015 (page 74 annual report NIBC Bank N.V.)				526
Total corporate loans drawn and undrawn 2015 (page 4 annual report NIBC Bank N.V.)				9,122
Total retail client assets 2015 (page 5 annual report NIBC Bank N.V.)				8,580
Total exposure 2015				**17,702**
NPL ratio 2015 (%)				**3.0**

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

Impairment coverage ratio

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

With the adoption of IFRS 9, impairments are calculated based on the expected credit loss stage an asset is in. As only stage 3 consists of actual credit impaired assets, the Impairment coverage ratio is calculated using only stage 3 impairments as of 2018.
Inclusion of stage 1 and 2 credit losses would generate an unreliable measure as these impairments do not relate to impaired assets.

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

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

Impairment coverage ratio

Impairment coverage ratio	H1 2018	2017	2016	2015
Balance stage 3 credit losses on loans	204			
Total stage 3 credit impaired exposure H1 2018	583			
Impairment coverage ratio H1 2018 (%)	**35**			
Balance impairment losses on loans		130		
Total impaired exposure 2017		321		
Impairment coverage ratio 2017 (%)		**40**		
Balance impairment losses on loans 2016			158	
Total impaired exposure 2016			424	
Impairment coverage ratio 2016 (%)[1]			**37**	
Balance impairment losses on loans 2015				136
Total impaired exposure 2015				331
Impairment coverage ratio 2015 (%)				**41**

1 In 2016 the impairment balance 2015 was restated including calculation of the impairment coverage ratio. Comparative numbers (ending balance 2015 and ending balance 2014) reflect the numbers used in this calculation.

Loan-to-deposit ratio

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

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

Loan to deposit ratio

Loan to deposit ratio	H1 2018	2017	2016	2015
Financial assets at amortised cost: loans	7,576			
Financial assets at amortised cost: residential mortgages	9,381			
Financial assets at available for sale: loans	0			
Financial assets at fair value through profit or loss: loans	122			
Financial assets at fair value through profit or loss: residential mortgages own book	0			
Financial assets at fair value through profit or loss: securitised residential mortgages	0			
Financial assets regarding loans and residential mortgages (total)	**17,078**			
Deposits from customers	**11,236**			
Loan to deposit ratio H1 2018 (%)	**152**			
Financial assets at amortised cost: loans (page 88 condensed year report 2017)		7,473		
Financial assets at amortised cost: residential mortgages (page 88 condensed year report 2017)		4,412		
Financial assets at available for sale: loans (page 88 condensed year report 2017)		0		
Financial assets at fair value through profit or loss: loans (page 88 condensed year report 2017)		181		
Financial assets at fair value through profit or loss: residential mortgages own book (page 88 condensed year report 2017)		4,581		
Financial assets at fair value through profit or loss: securitised residential mortgages (page 88 condensed year report 2017)		338		
Financial assets regarding loans and residential mortgages (total)		**16,985**		
Deposits from customers		**11,510**		
Loan to deposit ratio 2017 (%)		**148**		
Financial assets at amortised cost: loans (page 112 annual report NIBC Holding N.V.)			7,844	
Financial assets at amortised cost: residential mortgages (page 112 annual report NIBC Holding N.V.)			3,346	

Loan to deposit ratio	H1 2018	2017	2016	2015
Financial assets at available for sale: loans (page 112 annual report NIBC Holding N.V.)			0	
Financial assets at fair value through profit or loss: loans (page 112 annual report NIBC Holding N.V.)			210	
Financial assets at fair value through profit or loss: residential mortgages own book (page 112 annual report NIBC Holding N.V.)			4,124	
Financial assets at fair value through profit or loss: securitised residential mortgages (page 112 annual report NIBC Holding N.V.)			1,550	
Financial assets regarding loans and residential mortgages (total)			**17,074**	
Deposits from customers (page 111 Condensed interim financial report bank)			**11,802**	
Loan to deposit ratio 2016 (%)			**145**	
Financial assets at amortised cost: loans (page 86 annual report NIBC Bank N.V.)				7,294
Financial assets at amortised cost: residential mortgages (page 88 annual report NIBC Holding N.V.)				2,390
Financial assets at available for sale: loans (page 88 annual report NIBC Holding N.V.)				0
Financial assets at fair value through profit or loss: loans (page 88 annual report NIBC Holding N.V.)				316
Financial assets at fair value through profit or loss: residential mortgages own book (page 88 annual report NIBC Holding N.V.)				4,111
Financial assets at fair value through profit or loss: securitised residential mortgages (page 88 annual report NIBC Holding N.V.)				2,266
Financial assets regarding loans and residential mortgages (total)				**16,377**
Deposits from customers (page 87 Condensed interim financial report bank)				**11,746**
Loan to deposit ratio 2015 (%)				**140**

Net interest margin

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

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

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

Net interest margin

Net interest margin	H1 2018	2017	2016	2015
Sum net interest income last 12 months H1 2018	382			
12 Month average interest bearing assets	20,663			
Net interest margin H1 2018 (%)	**1.85**			
Net interest margin H1 2018 on balance sheet end date average instead of 12 Month average	1.88			
Sum interest income last 12 Months 2017		342		
12 Month average interest bearing assets		21,327		
Net interest margin 2017 (%)		**1.60**		
Net interest margin 2016 (%)			**1.47**	
Net interest margin 2015 (%)				**1.34**

DISCLAIMER

Presentation of information

The Annual Accounts of NIBC Holding N.V. ('NIBC Holding') are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU') and with Title 9 of Book 2 of The Netherlands Civil Code. In preparing the financial information in this Condensed Interim Report (NIBC Holding) for the six months period ended 30 June 2018 (the 'Financial Report'), the same accounting principles are applied as in the 2017 NIBC Holding's Annual Accounts, save for any change described in the Accounting policies. The figures in this Financial Report have been reviewed by the external auditor. Small differences are possible in the tables due to rounding.

Cautionary statement regarding forward-looking statements

Certain statements in this Financial Report are not historical facts and are 'forward-looking' statements that relate to, among other things, NIBC Holding'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 Holding's current view with respect to future events and financial performance. Words such as 'believe', 'anticipate', 'estimate', 'expect', 'intend', 'predict', 'project', 'could', 'may', 'will', 'plan' and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve uncertainties and are subject to certain risks, including, but not limited to (i) general economic conditions, in particular in NIBC Holding's core and niche markets, (ii) changes in the availability of, and costs associated with, sources of liquidity such as interbank funding, as well as conditions in the credit markets generally, including changes in borrower and counterparty creditworthiness (iii) performance of financial markets, including developing markets, (iv) interest rate levels, (v) credit spread levels, (vi) currency exchange rates, (vii) general competitive factors, (viii) general changes in the valuation of assets (ix) changes in law and regulations, including taxes (x) changes in policies of governments and/or regulatory authorities, (xi) the results of our strategy and investment policies and objectives and (xii) the risks and uncertainties as addressed in this Financial Report, the occurrence of which could cause NIBC Holding'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 Holding does not undertake any obligation to update or revise forward-looking statements contained in this Financial Report, whether as a result of new information, future events or otherwise. Neither do NIBC Holding nor any of its directors, officers, employees do make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.